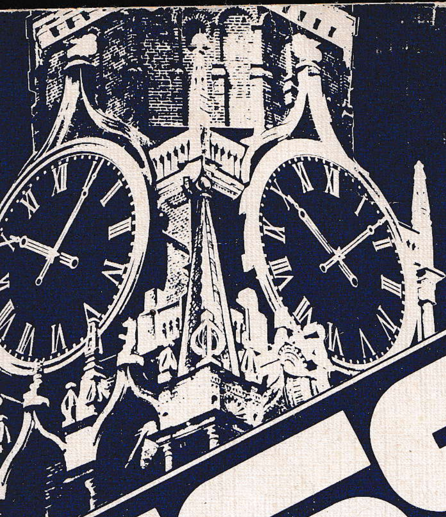

USSR

NEW BUSINESS OPPORTUNITIES

GUIDE
FOR BUSINESSMEN
AND MANAGERS

1

NEW BUSINESS OPPORTUNITIES
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RESTRUCTURING THE SOVIET ECONOMY

FOREIGN ECONOMIC ACTIVITIES IN THE USSR:
New Aspects

JOINT VENTURES ON SOVIET TERRITORY:
Procedure for Founding and Activities

REFERENCE SECTION

ANNEXES

GUIDE
FOR BUSINESSMEN
AND MANAGERS

ВТИ Vneshtorgizdat
1988

All - Union Association THE CENTER FOR INTERNATIONAL TRADE, SCIENTIFIC AND TECHNICAL COOPERATION WITH FOREIGN COUNTRIES (V/O SOVINCENTR) provides businessmen from different countries of the world with all facilities for conducting business in an efficient and comfortable environment

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INCULTSPORT

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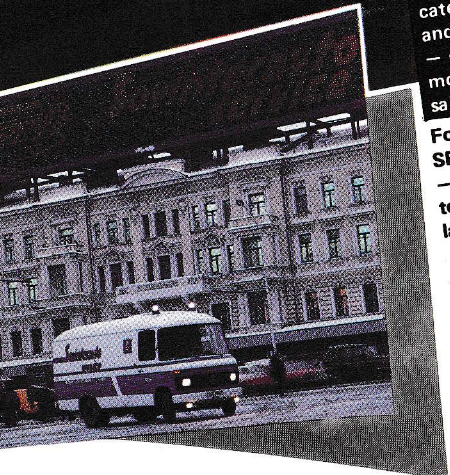

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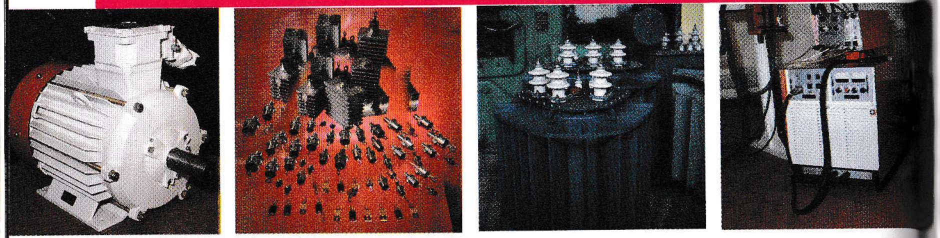

V/O Sovelectro

exports and imports electrical equipment, special-purpose process equipment, electric locomotives, electric loaders, lighting equipment, power and light sources and domestic electrical appliances; provides technical servicing of delivered equipment; sells licences, know-how and technical documentation as part of export transactions.

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Director: V. Dementyev
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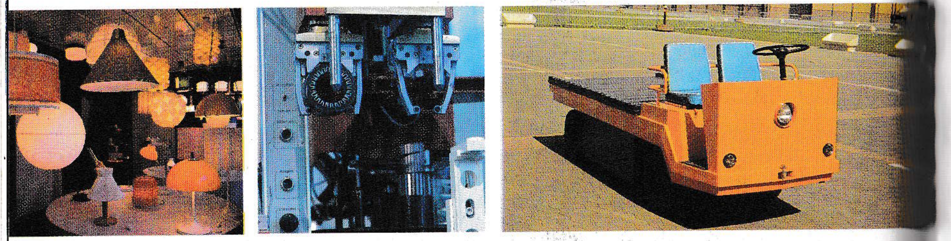

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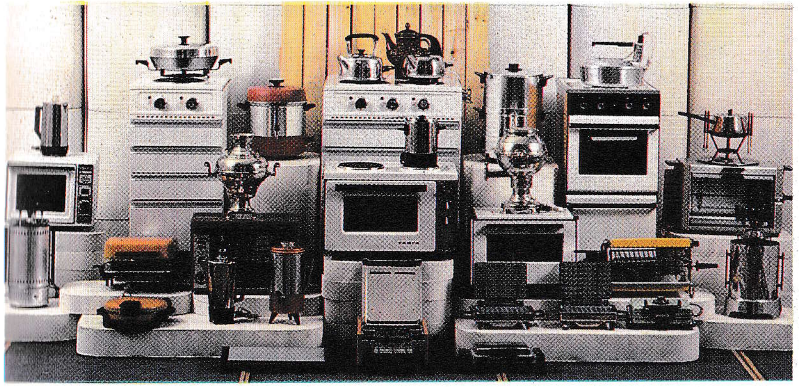

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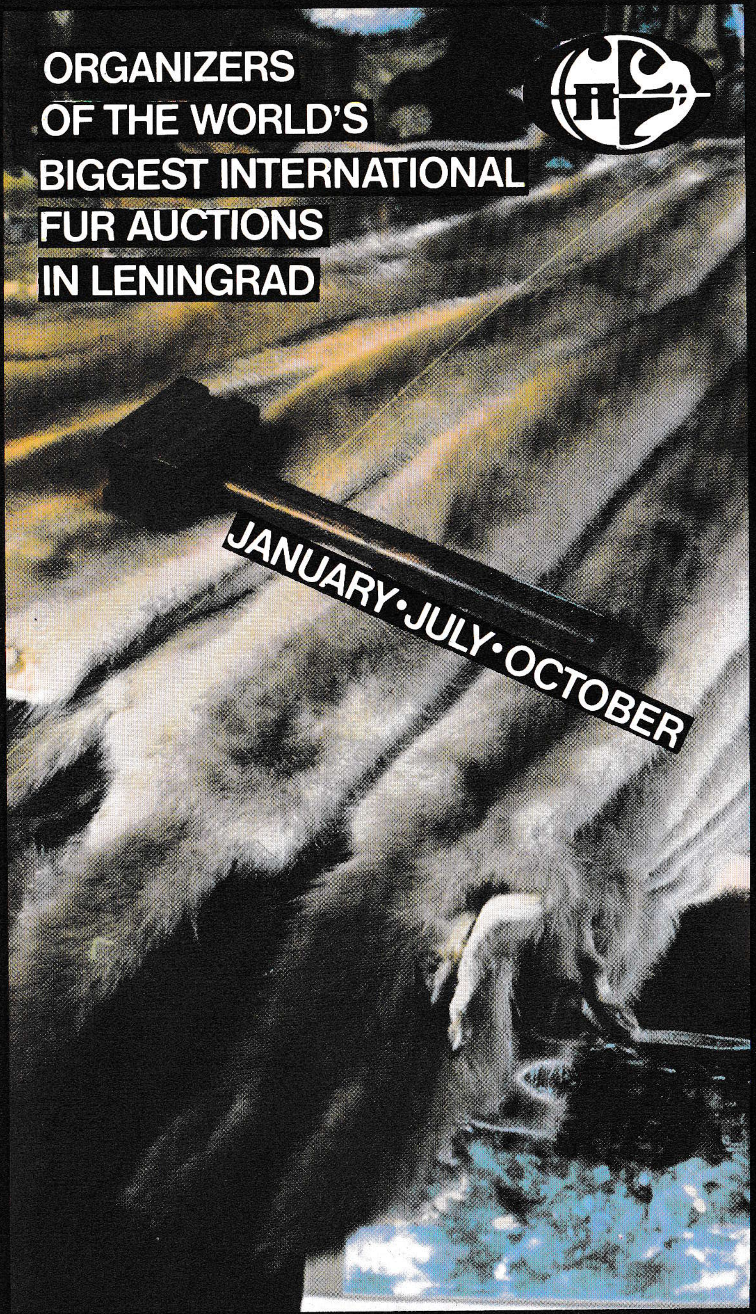

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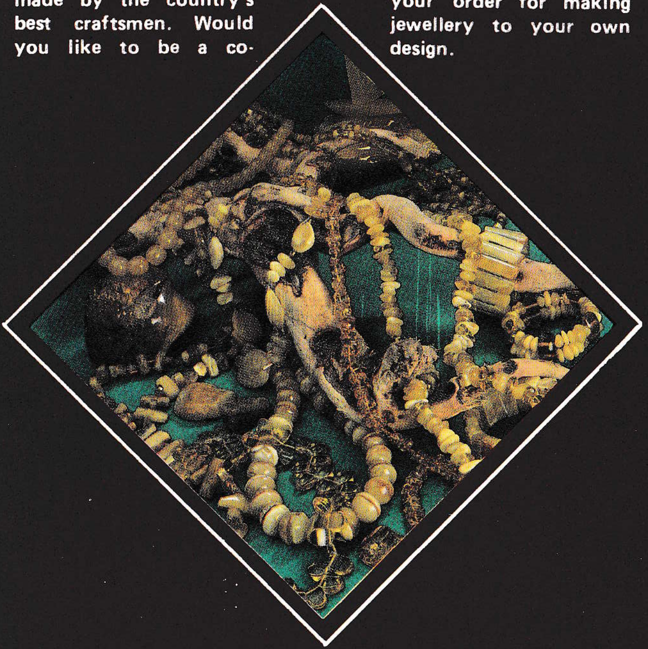

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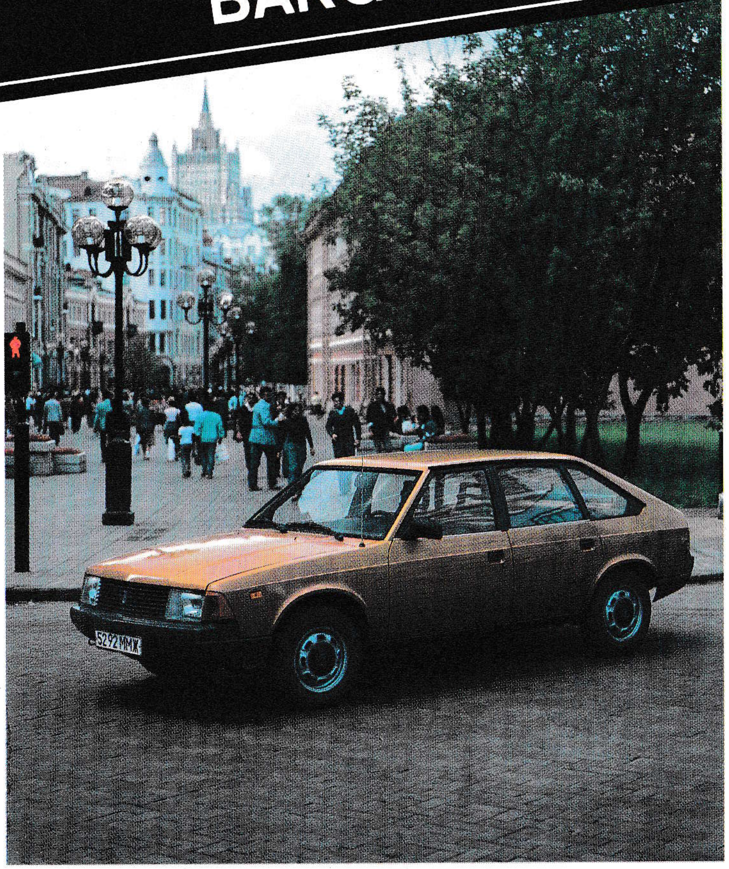

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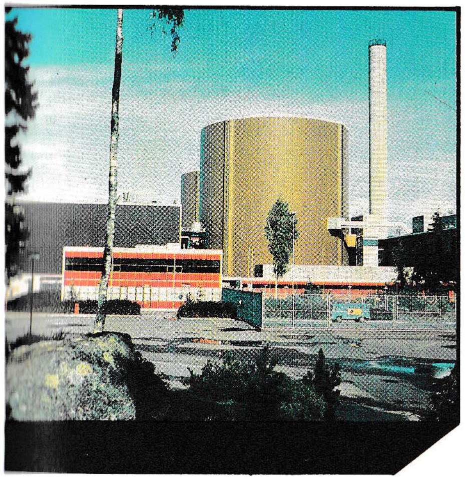

- selecting of project sites;
- designing of projects and "engineering" services, as well as survey and experimental work at customer's wish;
- delivery of complete plant;
- assembly, adjustment and start-up;
- shipping of nuclear fuel and re-delivery of nuclear wastes to the USSR on customer's instructions;
- delivery of spare parts and maintenance;
- dispatch of Soviet experts to construction sites for building, assembling and starting-up of projects;
- training of national cadres both in the USSR and in the customer's country.

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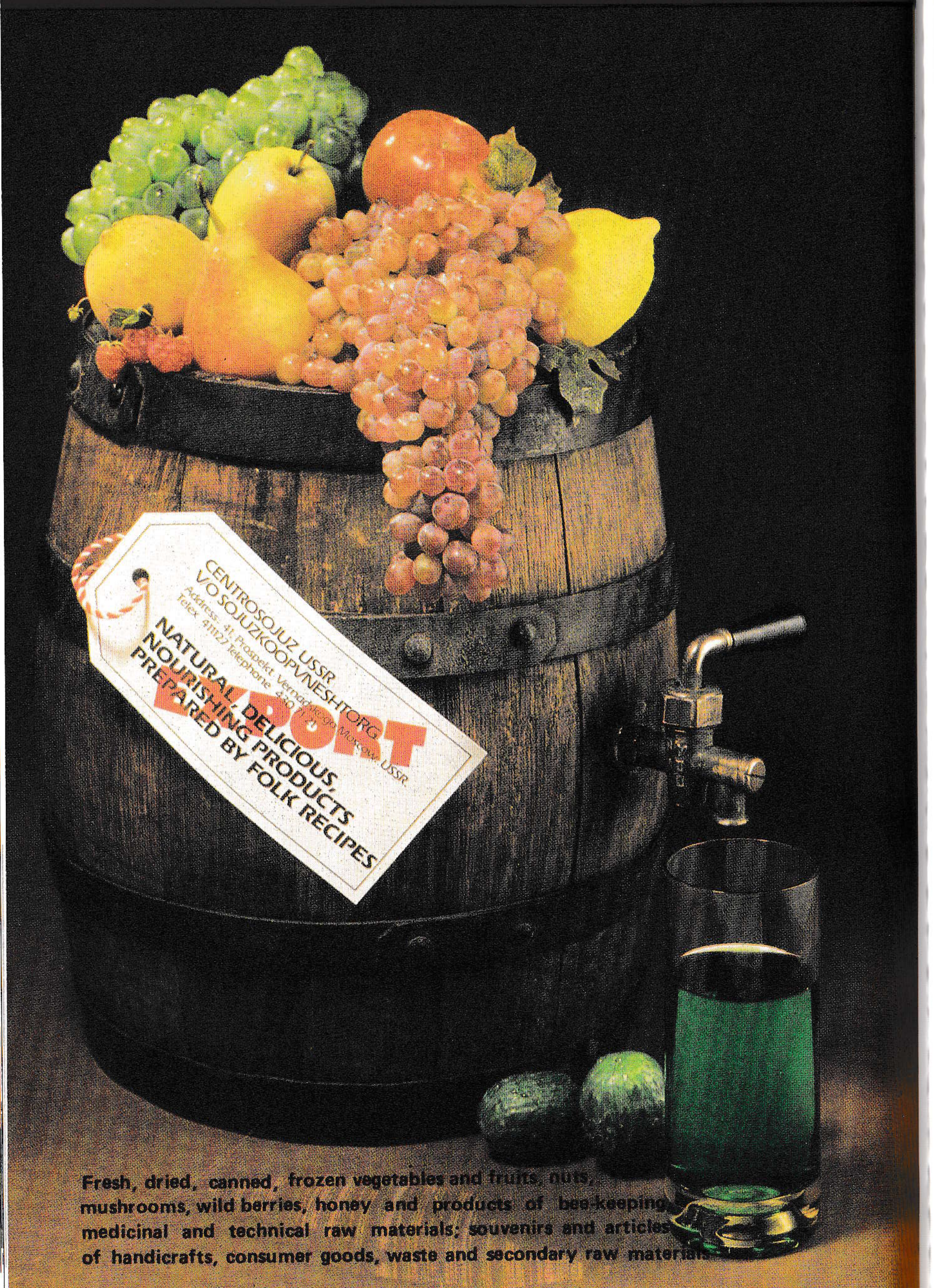
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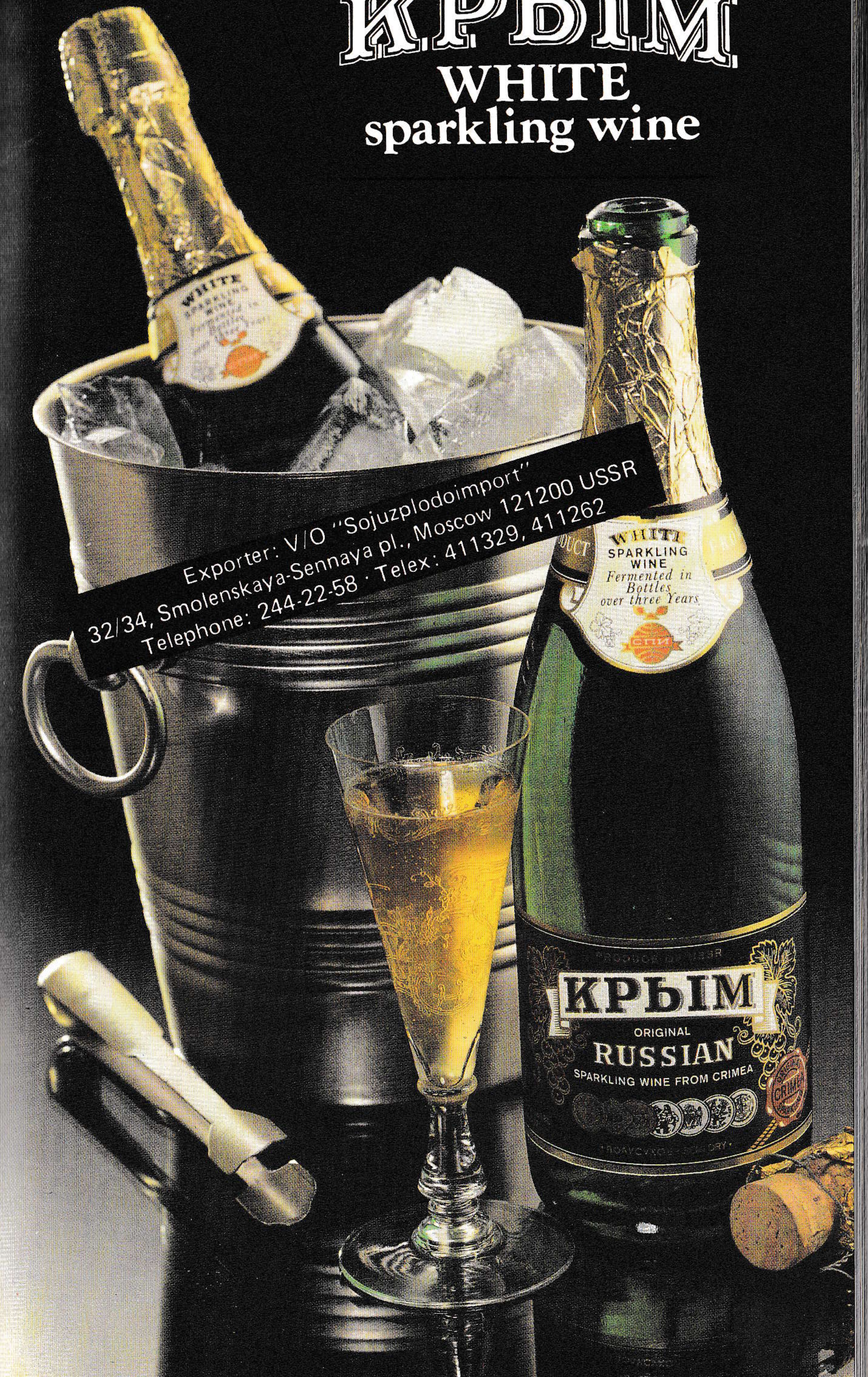
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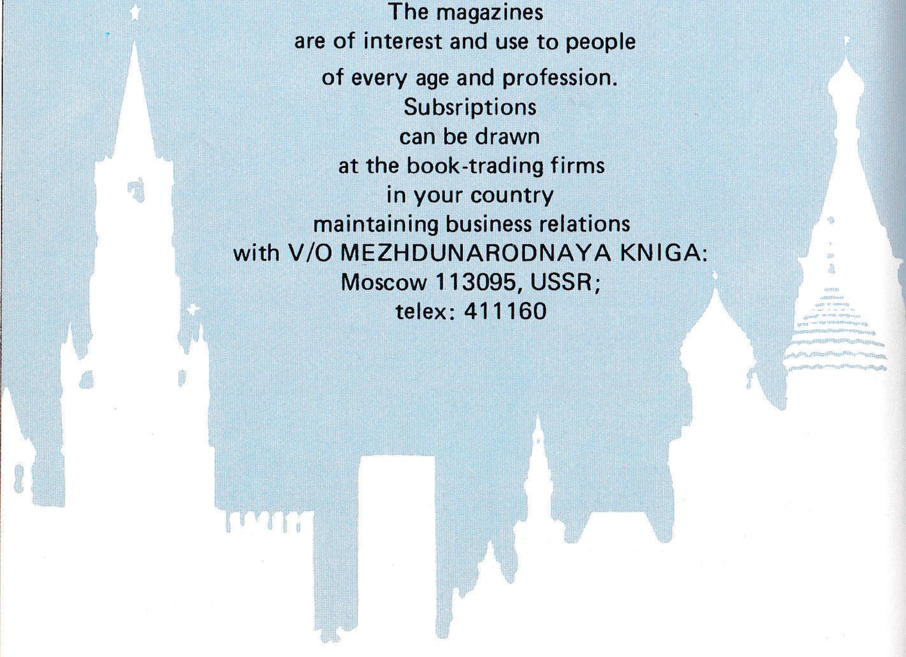

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СССР: новые возможности для бизнеса

Справочник для бизнесменов и менеджеров

на английском языке

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INTRODUCTION

It would be naive to think that the USSR's vast market is a "terra incognita" to a West European, American or Japanese businessman. In the last 70 years, so much has been written about the USSR that it would take more than a lifetime to read, appreciate and understand all of it. In this enormous body of information everyone seeks and finds what he needs, if he so desires. However, time and means of retrieving information are the factors of first priority to a businessman looking for a partner in the Soviet business circles.

This guidebook is to settle both these problems: to save your time in searching for business information and, what is also important, to save money by lessening the burden of expenses on the budget of your organization.

What range of readers is this guide intended for? Businessmen in the broadest sense, those who have no bias or prejudice and are prepared to take part in the great economic construction projects of the USSR, in developing and improving mutually beneficial economic, scientific and technological ties between the USSR and Western countries. The material in this edition gives Western businessmen an ample idea of the new conditions for Soviet foreign economic activities, the qualitatively new stage in the restructuring of the USSR's economic relations with the West.

Therefore, the structure of the guide is somewhat unusual. Its first part contains, in effect, scientific articles and surveys on the main directions of restructuring the economic mechanism of the USSR, which are directly related to its foreign economic ties.

There is a description of the aims and tasks of restructuing the economy, with emphasis being laid on the new status of the state enterprise in the country's economic system in accordance with the Law of the USSR on the State Enterprise (Association). A detailed economic and geographic article presents the main directions of the USSR's economic development from the branch and territorial aspects and the priority areas of capital investment.

The readers will find much of interest to them in the material on the new system of management of the country's foreign economic ties, the new structure of foreign trade organizations, the widening of the rights of the branch bodies of management in the foreign trade sphere. There is much information on the restructuring, practically total, of the banking system of the USSR, the new rules of crediting and financing foreign economic activity, the procedure of settlements in operations of Soviet organizations with their foreign partners.

The system of state standardization, attestation and certifying of products manufactured by Soviet industry, exported and imported goods is presented in outline, whereas the commentary on Soviet customs legislation, the customs formalities for foreign nationals are described in circumstantial detail.

A foreign reader will find useful information for himself and his organization concerning the rules and procedure of acquiring and transferring rights in industrial property, since these questions are directly linked with questions of foreign trade and, in a broader sense, with foreign economic operations.

The central section of the guide is devoted to what is to the Soviet economy a new form of joint production and business activities, the setting up of joint ventures for producing goods and services. The edition is supplemented with a full spectrum of legal and normative acts regulating the procedure of organizing joint ventures and their economic activities on Soviet territory and abroad. However, we consider this inadequate and present, therefore, a detailed analytical commentary on these questions. This approach is dictated by practical considerations. First, the work on new norms to regulate joint enterprise is being continued in the direction of improving the procedure being established. Second, we intend to show the foreign businessman the obvious benefits of investing capital in the Soviet economy, his possible part in our perestroika drive, and the profit accruing from participation in it.

The guide contains an article on the Chamber of Commerce and Industry of the USSR (CCI USSR). This is not accidental. The Chamber offers foreign businessmen practically all free and paid services, including information service and securing the necessary contacts with Soviet organizations and enterprises, ministries and government departments pursuing foreign economic activities.

The direct reference section of the guide contains the addresses, telephone and telex numbers of the ministries, economic government departments, foreign trade organizations, foreign trade firms of production associations and enterprises granted the right of access to foreign markets.

The guide presents the addresses and telephone numbers of the Moscow hotels and restaurants, organizations specializing in the service of foreign visitors in Moscow and other Soviet cities. A visitor to Moscow will find in the guide the adresses and telephone numbers of Moscow theatres, museums and exhibition halls, recreational parks and stadiums.

Of special value in the edition are the main acts of state, laws, resolutions, instructions and other normative legal documents regulating the new conditions of foreign economic activities in the USSR, which are assembled in the supplement wholly or as excerpts. References to these documents are made in articles and other items of the edition. Some documents not included into the guide for reasons of avoiding oversize are presented or commented upon in its descriptive part. The texts of the documents in foreign languages are not original but translations from the Russian. The articles and other items have been written and reference material compiled by economists and specialists in the field of foreign economic relations, whose high competence will be obvious to the reader.

The authors will consider their task fulfilled, if this guide helps you find business partners in the USSR and set up mutually beneficial business relations with them. We are strongly convinced that expansion of international trade and the deepening of economic relations between countries is the main material foundation for peaceful co-existence of the countries and peoples on earth, and we believe, dear reader, that you share this opinion.

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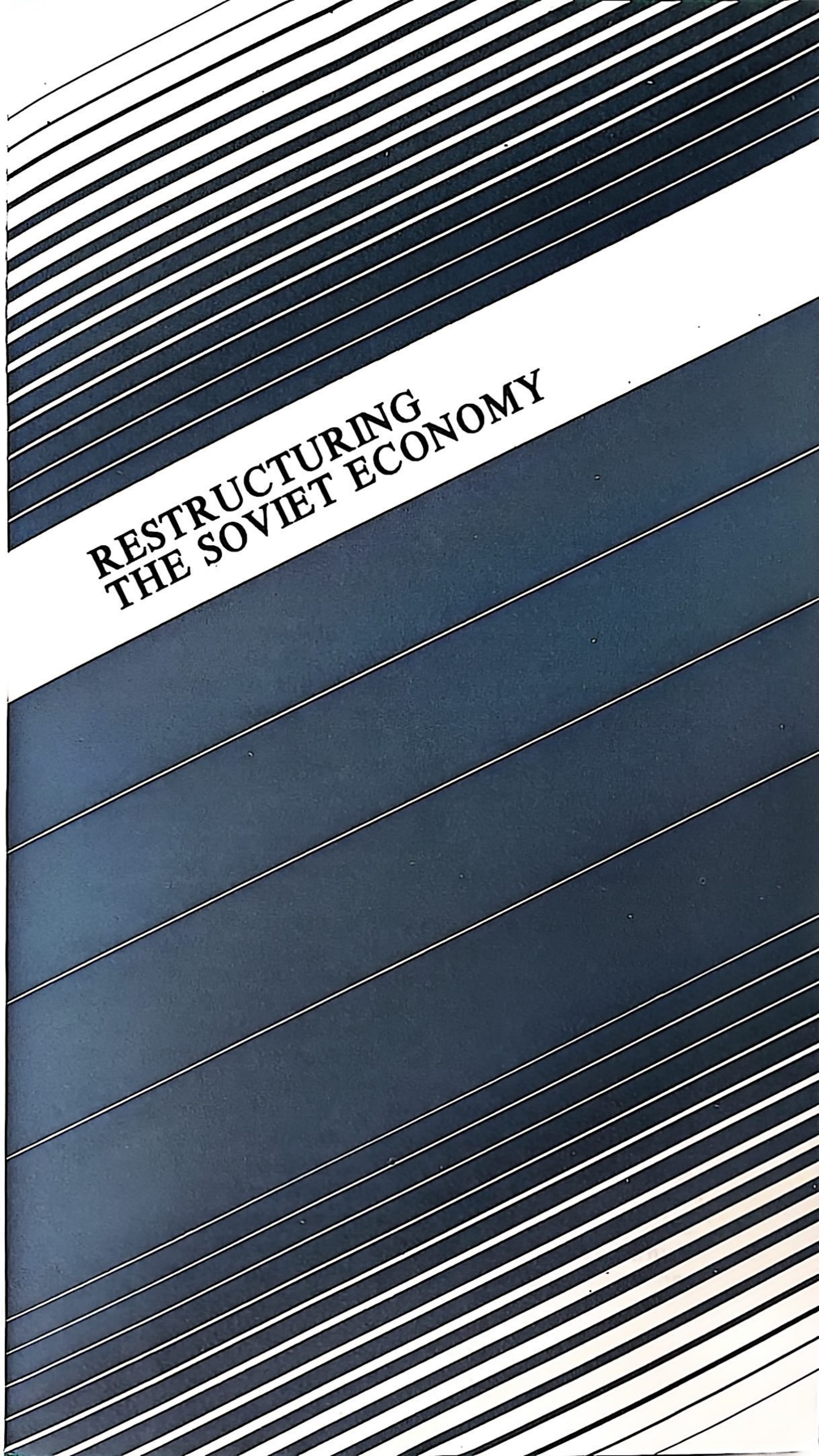

RESTRUCTURING THE SOVIET ECONOMY

PERESTROIKA AND THE NEW ECONOMIC MECHANISM IN THE USSR

What does perestroika, or the restructuring drive now under way in the USSR, signify? What are the goals, structure, scale and guidelines of the restructuring strategy and tactics put forward by Soviet society? What were the reasons that prompted perestroika as a renewal phenomenon in social life? What is the basis for the confidence of the Communist Party of the Soviet Union, the Soviet Government and the nation in the success of the reforms now under way in the country?

For more than two years these questions have been widely discussed by the Soviet and world mass media, analysed by politicians, social scientists, economists and businessmen worldwide. This is only natural, since sweeping social and economic changes in the USSR cannot but tell on the state of political, economic and cultural interstate relationships on the globe. All the more so as the process of social and economic restructuring in the Soviet Union is a revolutionary phenomenon which opens up new trends and opportunities for its participation in the system of global economic cooperation. Hence it is very important for the reader of the present guide to grasp the essence of perestroika, particularly the crux of the change in the sphere where it revamps the nature of the development of the national economy and overhauls economic relations in the USSR.

The restructuring of Soviet society was conditioned by the principal goal of socialism as a social and economic system — to meet most fully the objective material and spiritual needs of the people, to ensure a maximum of freedom and harmony for the development of each individual in society. The major means to attain these goals were formulated unequivocally — democratization of society and a radical economic reform. Such are the priorities of the economic and social advance of the USSR for 1986—1990 and up to the year 2000 as stipulated by the 27th CPSU Congress.

Resctructuring in the economic and social spheres was also largely caused by the negative tendencies which took shape in the 1970s and early 1980s in the country's economy and social life. Those were the years that saw considerable decline of growth rates in the basic fields of production and social development in the USSR. (See the table below).

Table
(per cent)

	1966—1970	1971—1975	1976—1980	1981—1985	1986
National income	7.8	5.7	4.3	3.6	4.1
Industrial output	8.5	7.4	4.4	3.7	4.9
Agricultural gross output	3.9	2.5	1.7	1.0	5.3
Capital investments	7.3	6.7	3.7	3.7	8.4
Labour productivity	6.8	4.5	3.3	3.1	3.8
Real per capita incomes	5.9	4.4	3.4	2.1	2.5
Foreign trade turnover (in comparable prices)	8.3	7.7	5.3	3.9	2.0

Administrative methods and forms of management were deeply rooted in the economy, which resulted in an unjustified centralization of managerial functions, divorce of steering bodies from realities, brake on producers' initiative. Low efficiency in price-formation, inadequate encouragement of intensive and high-quality labour and departmentalism have led to a stable dictat by monopoly producers, to a constant shortage of necessities, to inefficient investments and sluggish technological advance, to a sharp decline in the development of social infrastructure and the services sector.

The April, 1985 Plenary Meeting of the Central Committee of the CPSU brought to light those phenomena and gave a principled appraisal of the situation obtaining. The Plenary Meeting elaborated the strategy of acceleration of the country's social and economic development, consequently approved and furthered by the 27th Party Congress. The strategy mapped out by the Party and the guidelines on its practical implementation were given the name of "perestroika".

Democratization of society as a key instrument of perestroika is based upon greater public openness, or glasnost, in social life, upon active involvement of all community members in working out important political and economic decisions, in fostering indepth critical attitudes towards achievements and blunders. "The Guidelines for the Economic and Social Development of the USSR for 1986—1990 and for the Period Ending in 2000", the Law on the State Enterprise (Association) and other documents of paramount importance for the state, were brought about by the creative endeavour of the people, their discussion being widely covered by the mass media. The vital aspects of the economic reform and ways of improving the national economy are being the topics of thorough public analysis, too.

The crucial problem of the restructuring of the Soviet economic mechanism is to determine and materialize the optimal combination of centralized management with the initiative of grass-root producers. This is indeed a difficult task which can be solved only through a radical switch from management by fiats and decrees to genuinely economic and performance-oriented methods promoting shopfloor initiative and stimuli for effective work in major economic echelons.

As is known, various attempts of solving this task were made by the Soviet Party leadership and the Soviet Government. Thus it would be erroneous to think that the objective was posed and is being tackled without a past experience.

The Soviet economic record included the periods when command methods were given a clear-cut priority as the only feasible way of management. Those were the years of the Civil War (1918—1920) when a rigid centralized distribution of the resources in short supply was introduced under the policy of War Communism, which gave the young Soviet state a chance both to survive and win. Those were also the years of the Great Patriotic War (1941—1945) when an absolute, unquestionable mobilization of the entire country's resources was indispensable for the sole objective — the salvation of the nation from nazi enslavement. To put it short, those were the crucial times when the destiny of the Soviet state was at stake. However, the Soviet economy was equally familiar with such periods when command and administrative leverage prevailed, and yet were historically unjustified.

Soviet economists — Leonid Abalkin, Abel Aganbegyan, Gavriil Popov and others — while analysing the history and nature of correlation of administrative and economic concepts of management in the Soviet economy emphasise one common underlying feature: the administrative methods always contributed to a rapid mobilization of resources and solution of problems under extreme circumstances, but they failed to be effective as durable levers. Imbalances in the development of a specialized production mechanism and infrastructure, a serious lag of the services sector, housing construction and other socially vital areas were the inevitable consequences of the volitional approach to management. A managerial bureaucracy of officials and departmental groups emerged and gained strength, who regarded their own orders as the end in themselves, not as a practical way to solve numerous problems in society and economy and for whom narrow departmental interests were more significant than the interests of the entire state.

A reform of economic management in the late 1950s abolished sectoral ministries and empowered local authorities — the sovnarkhozes, territorial councils of economic management, — with new managerial functions. The reform triggered off a certain rise of the national economy, but failed to carry through a fundamental change in the economy.

Another attempt at consolidating the principle of loss-and-profit accounting and emphasising such economic indicators as profit and efficiency of enterprises and end results of their performance was made in 1960s. The socio-economic performance in 1966—1970 was the best over the past thirty years thanks to the reform. As Academician Leonid Abalkin put it in his article "Drawing on the Past Experience" (the magazine "Kommunist", issue No. 16, 1987, p. 11), "the reform gave a powerful impetus to the country's economic advance, but being unsubstantiated by a resolute political, social and spiritual revitalization of the nation, it soon fizzled out."

Considering these lessons of history, the Central Committee of the Communist Party of the Soviet Union set forth the task of consistent and comprehensive democratization of social life, elimination of bureaucratic attitudes in the state and economic mechanism, radical inprovements in relationships between individuals and collectives, on the one hand, and the society, on the other, thus making for the materialization of a sweeping economic reform.

The key elements of the reform are the following:

— a switch of the main economic echelons to full profit-and-loss accounting, self-financing and self-recoupment;

— an overhaul of the system of economic management through concentrating strategic guidance in the hands of the central bodies and ministries and through ensuring wider autonomy for direct producers in the matters of operative planning and management;

— a consolidation of economic independence, economic rights and responsibilities of direct producers, including both state-owned enterprises and organizations, cooperative and individual producers of goods and services;

— strengthening of contractual relations in the sphere of supplies and sales, slashing of centralized allotment of materials and products;

— a radical price reform providing for a shift from expenditure-oriented towards quality-product pricing.

During the three years that elapsed since the April, 1985 Plenary Meeting of the CPSU Central Committee, a package of guidelines outlining the directions and structure of the country's radical economic reform were adopted by the Communist Party, the Soviet Government and the top economic authorities.

On June 11, 1985 a conference at the CPSU Central Committee was held to discuss the question of accelerating scientific and technological progress. Mikhail Gorbachev, General Secretary of the CPSU Central Committee, delivered a report at the conference entitled "The Acceleration of Social and Economic Development Is the Task of the Entire Party and All the People". The report highlighted the essence of the topic under review and emphasised the accelerating of scientific and technological progress as" the main lever in intensifying the national economy and making it more efficient and thereby in tackling major social tasks". The most important decisions of the conference were the following:

— to radically change the structure of capital investments, with emphasis made on the technical re-equipment and reconstruction of enterprises and reduction of the share of new construction;

— to increase in 1986—1990 capital investments for mechanical engineering ministries 1.8 to 2 times over the eleventh five-year plan period;

— to improve the management of scientific and technological progress through higher efficiency of centralism and largely expand the economic independence of enterprises and associations, to make active use of profit-and-loss accounting and commodity-money relations, the entire arsenal of economic levers and incentives;

— to turn isolated plans for new technology into "a backbone of the entire economic plan";

— to radically improve price formation "in order to facilitate successful realisation of the economic policy, ... and literally force economic managers to constantly improve technology and techniques".

A special mention was made at the conference that the old measures to switch the centre of gravity to intensive factors in economic growth had proved to be inadequate and had not been fully carried out, which resulted in the preservation of an extensive basis of economic development.

The decisions of the conference were reflected in the Decision adopted on July 12, 1985 by the CPSU Central Committee and the USSR Council of Ministers "On the Wide-Spread of New Methods of Economic Management and Intensification of Their Impact on the Acceleration of Scientific and Technological Progress". The resolution provided for the following measures:

— starting from 1986 targets for new technology were assessed with due account of obligations on delivery of products under contracts (government orders);

— a 30 per cent bonus for the output of top quality products and a 30 per cent discount for outdated products (with 70 per cent of discounts being indemnified by the incentive fund of an enterprise) were introduced;

— a ban was imposed on withdrawal and limitation of duly established use of hard currency export earnings;

— enterprises were allowed to independently utilize their own production advance funds to finance retooling and reconstruction and development of new technology;

— the procedure of material and technical supplies for enterprises' retooling with the use of production advance funds was simplified;

— economic sanctions were specified for overdue delivery and underdelivery of equipment, goods and materials being part of complete deliveries, and incentives were allowed for production managers attending to timely deliveries under concluded contracts.

The Decision provided for a switch of associations and enterprises of the country to the new conditions of economic management starting from January 1, 1987.

The 27th Party Congress, held in February — March, 1986, adopted "The Guidelines for the Economic and Social Development of the USSR for 1986 — 1990 and for the Period Ending in 2000". The document reflects the strategy and tactic of intensification of the Soviet economy and improvements in people's living standards. The July, 1986 Plenary Meeting of the CPSU Central Committee approved the draft State Plan for the Economic and Social Development of the USSR for 1986—1990 and the provisions of Mikhail Gorbachev's report and conclusions by the Politburo of the CPSU Central Committee aimed at practical implementation of the Party economic strategy mapped out by the 27th Party Congress.

Mikhail Gorbachev stressed in his report at the CC CPSU Plenary Meeting that the country's success in the 12th five-year plan period would depend on the efficiency of the efforts to improve management of the entire national economy. These efforts may bear fruit if outdated instructions hindering the reconstruction drive and braking solutions to economic and technical issues are resolutely abolished. The reorganization of the economic mechanism requires updated norms and standards, brings product quality to the fore and renounces gross output indicators, and emphasises the new role of the State Planning Committee and other central economic bodies in tackling major economic problems and not questions which may be attended to by sectoral managers or even directors of enterprises. A price reform and accelerated preparation of a Law on the State Enterprise (Association) were regarded by Mikhail Gorbachev as the crucial tasks of economic reconstruction.

In compliance with the decisions by the 27th Party Congress the CPSU Central Committee and the Council of Ministers of the USSR adopted decisions on the restructuring of the foreign economic activity of the USSR, which provided for the development of new forms of this activity, enhanced the role of the USSR in the world economic relations, extended the rights and autonomy of Soviet enterprises in economic, scientific and technological cooperation with foreign partners. The content of these decisions and their significance for the Soviet economy and foreign economic relations are given much attention in a separate chapter of the present edition.

The subject-matter of the January, 1987 Plenary Meeting of the CPSU Central Committee was perestroika and the Party's personnel policy. An all-round extension of democracy in society and socialist self-government of the people, an upbringing and fostering of co-owner attitudes among Soviet people and active enforcement of principles of social justice — these are the fundamental objectives of the Party branches, the most vital tasks of perestroika: "It is only through the consistent development of the democratic forms inherent in socialism and more extensive self-government that our progress in production, science and technology, literature, culture and the arts, in all spheres of social life is possible," emphasised Mikhail Gorbachev in his report.

The Plenary Meeting of the CPSU Central Committee endorsed the draft Law on the State Enterprise (Association) and recommended its nation-wide discussion.

In June, 1987 the CPSU Central Committee sponsored a conference on the problems of the radical resctructuring of economic management and on June 25—26, 1987 a Plenary Meeting of the CPSU Central Committee was held on this question. The Plenary Meeting summed up the results of the Communist Party's work on the elaboration of the political, economic and legal foundations for a system of economic management which makes for greater democracy in the economic mechanism of the country and thereby creates favorable conditions for a dynamic advance of the national economy.

The radical restructuring of economic management at the present stage of the country's development was discussed at the seventh session of the eleventh convocation of the USSR Supreme Soviet (Soviet Parliament) on June 29—30, 1987. The session passed the Law on the State Enterprise (Association) — the pivot of the Soviet economic restructuring. The law embodies all basic provisions and major features of the new economic mechanism which had been approved and specified in the course of a six-months nation-wide discussion of the draft.

Under the Law, the enterprise is declared a socialist commodity producer, a legal person entitled to a detached part of public property and an independent balance. It may engage simultaneously in several types of production activity.

Operational economic, self-recoupment and self-financing are viewed by the Law as the fundamental principles of the activity of the enterprise (association). All expenses of the enterprise connected with the development of the plant and social programmes as well as wages and salaries shall be covered exclusively by the income that remains at the disposal of the enterprise. This income is constituted by the receipts from the sales of products by the enterprise with the deduction of material costs and fixed payments to the state and local budgets. Deductions to the state budget include payments, according to stable norms for the use of natural, industrial and labour resources placed at the enterprise's disposal as well as a part of profits. The income of the enterprise is not liable to withdrawal and remains at its disposal for a consequent channeling to the labour renumeration and incentive funds of work collectives (or a consolidated labour renumeration fund), the fund for the development of production, science and technology, and social development fund. Such a procedure for forming and utilizing the income of the enterprise encourages its efficient performance.

The Law has granted enterprises new rights in the utilization of the available material and technical base and assets. Under the Law, the enterprise is entitled to transfer to other enterprises, sell, exchange and lease buildings, structures, equipment and other elements of the material and technical supply and to channel the funds thus received to the fund for the development of production, science and technology. This provision rules out excessive accumulation of equipment and materials at the enterprise without an estimation of real needs in them, thus granting the enterprise an opportunity to enlist plant for an occasional or seasonal tasks.

The Law has drastically changed the relations between the enterprise and higher bodies as well as the procedure for running the enterprise on the basis of democratical principles of management. Higher bodies (ministries and government departments) will effect management of the enterprise only by economic methods on the basis of stable and long-term standards. A sectoral ministry is to place in advance a state order (government contract) with the enterprise specifying the type of product. These orders shall be accepted for fulfilment by the enterprise, but they shall not exceed 60 to 70 per cent of its producing capacity and shall be guaranteed by necessary material resources. State orders and contracts with other independent producers account for the bulk of the production plan of the enterprise. The plan is to be discussed and adopted by the enterprise itself, by its work collective.

All major decisions on running production are to be taken and realised with the participation of the work collective. Managers — team-leaders, foremen, shop superintendents, directors, etc. — are elected. So, the Law provides for a democratic management of the main links of the national economy.

Under the Law, the enterprise decides on the number of its personnel, its qualification composition, approves the payroll. The Law has lifted caps on workers' earnings.

The enterprise is granted the right to conduct economic relations with suppliers and consumers on the basis of contractual prices of industrial products, consumer goods, R&D projects and other types of products and services.

The Law stipulates full self-recoupment and self-financing of the enterprise as far as technological advance and retooling are concerned. In the event of a temporary lack of its own funds, the enterprise has the right to attract credits and loans from the State Bank of the USSR and other Soviet specialized banks.

The Law defines the foreign economic sphere as an important component of the whole work of the enterprise and outlines the rules to carry it out, foreign exchange self-support and self-repayment being, as a rule, the main operating principles. In its foreign economic activity, the enterprise is given the right to transact directly with firms of capitalist and developing countries. Major vehicles for promoting such ties are production and technological cooperation on a long-term and balanced basis, and the establishment of joint ventures. An enterprise making significant export deliveries of goods (services), may be allowed to directly handle export-import transactions. Other enterprises effect such transactions through foreign-trade associations and firms.

The Law on the State Enterprise has not only granted broad rights to Soviet enterprises as independent socialist commodity producers but clearly determined their responsibility for the efficiency of their performance, for the delivery of products under contracts concluded with other enterprises, for the correctness of its relationships with the state budget.

The guidelines on the reorganization of economic management outlined by the June, 1987 Plenary Meeting of the CPSU Central Committee and the seventh session of the Supreme Soviet of the USSR (of the eleventh convocation) put forward, along with the Law on the State Enterprise, a set of measures providing for the democratizing of the economic mechanism and boosting economic efficiency on the basis of greater democracy. Among these measures are the following:

— the improvement of sectoral management on the basis of the widening of ministerial functions, the establishment of state production associations and the switchover of sectoral systems of management to a primarily two-level basis;

— the introduction of a new territorial procedure of management emphasising the role of local Soviet in the planning of the production and social structure and infrastructure. All the enterprises of the given region, regardless of their status, must contribute payments to the local budgets for the utilization of natural and labour resources as well as contribute deductions from their profits;

— the radical change in the activity of the central economic bodies, concentration of their efforts on the elaboration of and practical implementation of the strategy of economic and social development;

— the expansion of wholesale trade and consolidation of its place in the system of material and technical supplies;

— the transition of research and design institutes to profit-and-loss accounting, self-recoupment and self-financing;

— the radical reform of price-formation providing for a centralized adoption of prices for the basic products of national economic and social importance, for the rights of enterprises and cooperatives to realise their products and services in accordance with contractual and independently fixed prices;

— the restructuring of the banking system with a view to actively involving banks into the process of national economic development through concentrating of temporarily idle funds of enterprises, crediting of retooling programmes, reconstruction of enterprises and of their economic activity.

The switchover of enterprises and associations of the goods sector to the principles of profit-and-loss accounting and self-financing is scheduled for 1988 — 1989. Enterprises and associations accounting for 60 per cent of the total output in industry work under the new economic conditions already in 1988.

Complete implementation of the whole set of new measures in the national economy cannot be carried out painlessly and in a short span of time. First, Soviet producers will be switching over to profit-and-loss accounting, self-recoupment and self-financing during the period of the twelfth five-year plan period with targets and norms of the plan determining the relationships of producers with ministries and the state budget. Hence producers' funds for production advance, social purposes and incentives can be accumulated primarily through their profits gained by the utilization of internal reserves that contribute to the development of production and reduction of expenses in comparison with the targets and norms set by the plan. Second, parallel to the transition of producers to paying their way, the radical economic reform envisages the reorganization of ministries and central economic departments. The centre of gravity in their work will be shifted from current management of subordinate enterprises to strategic management of complexes of such enterprises. This is only natural that this kind of reorganization will require new methods for managerial decisions, new know-how and forms of practical work of trimmed personnel in ministries and government departments. The latter will have to give way to producers by granting them real rights and freedom of action in planning, steering current affairs and developing production potentials. At the same time, they will have to preserve their command over the economic leverage to meet the vital needs of the state and to ensure a uniform technological policy in various sectors of the national economy. Third, though given economic independence in decision-making and charged with responsibility for the end results of their activity, the enterprises and associations have so far no tested methods of substantiating their own decisions, no knowledge of economic and organizational experience in fulfilling them. It will take time to both refine such methods and set up a managerial

Table 1

Dynamics of the Soviet National Wealth
(in comparable prices, 000 billions)

Indicator	1970	1975	1980	1985	1986
National wealth (excluding the value of land, subsoil and forests), including:	1.4	2.0	2.7	3.6	3.8
fixed assets	0.86	1.26	1.74	2.33	2.46
production assets	0.53	0.81	1.15	1.57	1.65
non-production assets	0.33	0.45	0.59	0.76	0.81

The major part of the national wealth of the country (65 per cent as of 1986) was made up of fixed assets forming the material and technical basis of the development of the economy and the growth of the Soviet people's well-being. The production assets account for 67 per cent of the fixed assets. In turn, the production assets are made up of industrial assets (48.7 per cent, 766 bln roubles), agricultural assets (20.3 per cent, 318 bln roubles) and transport and communications assets (20.5 per cent, 322 bln roubles). Construction, trade, public catering, material and technical supplies and other areas account for the remaining 10.5 per cent (164 bln roubles).

As of the end of 1986, the fixed production assets were in the possession of 46,200 science and production associations, combines and self-supporting enterprises, 26,700 collective farms, 22,900 state farms, and 7,400 inter-farm enterprises and organizations, as well as in the possession of 32,000 state, cooperative and inter-sectoral contract organizations in charge of constructing and assembling.

The housing construction assets account for a large share of the fixed non-production assets. In 1975—1985, they grew 1.6 times and their volume topped one-fifth of the national wealth of the USSR as of the end of 1986.

Non-productive use of the national wealth of the USSR has a general upward trend. For instance, the gross social product (GSP) in 1986 went up 2.2 times (1,400 bln roubles) as compared with 1970 (See Table 2). The share of transport and communications increased from 4.0 per cent to 4.8 per cent. The respective share of trade, state purchases, material and technical supplies and other auxiliary sectors grew from 5.8 per cent to 8.0 per cent. The share of industry decreased from 63.6 per cent to 60.5 per cent, whereas the share of agriculture and construction remained practically stable.

Table 2

The Gross Social Product of the USSR
(current prices, in billion roubles)

Indicator	1970	1975	1980	1985	1986
GSP, including:	643.5	862.6	1078.5	1382.5	1425.8
industry	409.0	558.3	685.5	844.6	862.5
agriculture	103.8	122.3	152.6	218.6	232.6
transport and communications	25.7	36.7	47.6	66.0	68.8
construction	67.6	91.7	103.4	136.3	147.9
trade, state purchases and supplies, other areas	37.4	53.6	89.4	117.0	114.0

The national income of the USSR used for consumption and accumulation (in comparable prices of 1973) averaged 2,398 bln roubles in 1981—1985, which exceeded by 17 per cent the corresponding index of 1976—1980. This increment is less than in period between 1971—1975 and 1976—1980 which was 22 per cent. By the year 2000, material production is scheduled to become predominantly intensive, which will ensure a 100 per cent rise in the country's national income. Industrial output was 20 per cent more in 1981 — 1985 as compared with 1976—1980, transport turnover accounted for 18 per cent, while agricultural produce totalled a mere 5 per cent. Retail trade turnover went up 18 per cent, whereas its increment totalled 30 per cent during the five-year period of 1976—1980 as compared with 1971—1975.

The Soviet economy depends heavily on large-scale investments by the state. Their total value exceeded 840 bln roubles in 1981—1985. The share of machinery within enterprises, to elaborate legal and economic guarantees regulating relationships among enterprises.

To overcome these and other difficulties in the economic restructuring in the USSR during the remaining years of the twelfth five-year plan period, to formulate the targets and norms for the five-year plan for 1991—1995 on the basis and with the account of the actually existing new economic mechanism, large-scale measures are being taken already now not only in the sphere of overall management but in the fundamental improvement of economic training, re-training and personnel upgrading and in other directions. The Soviet Communist Party and the Soviet Government, shouldered by grass-root party and social organizations, work collectives, are conducting consistent and purposeful work to eliminate obstacles on the road of perestroika and encourage initiative as the booster of renewal.

THE SOVIET ECONOMY: PRESENT STATE AND PROSPECTS

(General and Sectoral Outline)

National economic complex • Industry • Mechanical Engineering Complex • Fuel and Energy Complex • Metallurgical Complex • Chemical Industry • Timber, Woodworking and Pulp and Paper Industry • Agroindustrial Complex • Light Industry • Territorial-Industrial Complexes

National Economic Complex

The present-day Soviet economy is a national economic complex embracing social production, distribution, exchange and consumption of material values and services throughout the territory of the USSR.

The national economic complex of the USSR has a complex and differentiated structure. Industry alone comprises more than three hudred sectors and a considerable number of entreprises. A more exhaustive survey on each industry and separate enterprises would take a bigger format. The purport of the present edition is to give an outline on the Soviet economy in general and the level of development in major sectors of economy.

Economic management has as its foundation a system of state planning, assessment and leverage instruments to handle the economic and social development of the country. It is based on the use of sectoral and territorial principles and also takes account of the interrelationship between the centralized functions and the economic independence of enterprises.

The Soviet Union possesses tremendous national wealth, which has increased 1.8 times over the past decade and topped 3,800 billion roubles in 1986 (excluding the value of land, subsoil and forests). The dynamics of the national wealth of the USSR is listed in Table 1.

fixed production assets made operative in 1981—1985 accounted for 35 per cent of their total value as of January 1, 1986. The respective record in industry was 33 per cent, in agriculture, 39 per cent, and in construction, 56 per cent.

The volume of capital investments in 1976—1980 and in 1981—1985 diminished as compared with the preceding five-year periods: 1971—1975 — 41 per cent, 1976—1980 — 28 per cent, 1981—1985 — 17 per cent. This told on the renewal of fixed assests and complicated the process of technological renovation in the economy.

In the years after World War II the average life of durable equipment increased systematically and now has achieved the level of 28 years. (As is known, new generations of equipment and technology in the world practice are introduced every seven to nine years on the average). It will take six years to complete the already started construction of some projects in the USSR, and in certain sectors up to nine years.

The negative aspects of its economic development notwithstanding, the Soviet Union has achieved a fairly high level of production and for certain products holds a leading place in the world.

The foregoing testifies to the fact that the absolute values of the major economic indicators keep growing. Yet the growth rate has slackened. Thus, the growth of fixed assets made up 47 per cent in 1970—1975, 38 per cent in 1975—1980 and 34 per cent in 1980 — 1985. The same is applicable to the gross social product whose growth rate equalled correspondingly 34, 25 and 28 per cent. The dwindled economic indicators of the Soviet economic performance are largely blamed on stagnation in the management of economy and in the social sphere. Work is currently under way to overcome such phenomena.

Party and government bodies have mapped out a large-scale programme of practical steps aimed at radically changing the image of the country through democratization of public life and radical economic reform. These challenges are tremendous and complex in scope. Making the most of the advance in science and technology, the country is to double its industrial potential and to raise labour productivity by 2.3—2.5 times. One of the key objectives now is to reduce production expenses per item of final product. The power intensity of the national income is to decrease by 40 per cent by the year 2000. Metal consumption is to be twice as low as in 1981—1985.

To meet the tasks set by the programme of reforms, the country's production technologies should be considerably updated and streamlined, and resource-saving programmes should be implemented. Joint-venture business in various sectors of production between Soviet and foreign enterprises and firms can be helpful in carrying out modernization, in particular in the machine-tool industry, mechanical engineering and the chemical industry.

If foreign partners show interest in setting up joint ventures in major branches of the economy, both sides may equally benefit by cooperation. So a foreign partner may get profit and expand sales, whereas the Soviet side may obtain new technology, managerial know-how, latest machinery and equipment, which in their totality are to contribute to the advance of perestroika — a package of reforms in the USSR. But it would be wrong to say that no modernization effort is being currently taken in the Soviet economy.

Restructuring in social and economic spheres is already bearing fruit. Thus, the results of the performance in 1987 clearly demonstrate that the Soviet economy is on the whole developing in keeping with the guidelines of the five-year plan for 1986—1990. The growth of industrial output over 1986—1987 approximated 9 per cent, and that of agriculture about 10 per cent. However, positive tendencies have just shaped and they are still to be consolidated. This is exactly why enhanced growth rate is to be ensured in 1988 against the background of the first two years of the five-year period. This could be the only right avenue to secure a stable advance of the Soviet economy.

Industry

Industry and above all mechanical engineering are the key sectors of the Soviet economy whose industrial potential has doubled over the past decade.

At present the Soviet Union disposes of all branches of heavy industry, extensive power industry, oil and gas industry, many branches of machine-building and chemical industry. Electronics, machine-tool industry and nuclear power industry are highly developed. Enterprises producing the means of production for light and food industries, for housing construction and communal services and social amenities are being built on a large scale.

All Union Republics and big economic areas of the country have industrial centres of their own.

Major ferrous metallurgy mills are concentrated in the Urals and Siberia. Among them are the groups of enterprises in Nizhnii Taghil, Magnitogorsk, Kuznetsk, Chelyabinsk, Novosibirsk and elsewhere. The oil and gas industries, coal mining and mechanical engineering are traditionally strong here too. Large capacity plants of non-ferrous metallurgy, chemistry and light industry are located in Kazakhstan, Central Asia and the Far East.

Powerful industrial centres are to be found in the European part of the USSR. These include the regions of the North and North-West (Cherepovets, Kirovsk, Olenegorsk, Volkhov, Monchegorsk, Vorkuta and Ukhta), the Centre and the South with enterprises specializing in metallurgy, machine-building, chemistry, forestry and food manufacturing.

The Volga Region and Northern Caucasus have become important fuel and energy and machine-building areas. They are famous for such names as Naberezhnye Chelny in Tataria, Volzhsk in the Volgograd Region, Novokuibyshevsk and Togliatti in the Kuibyshev Region, Shakhty in the Rostov Region and a score of others.

Heavy industry is located in such new centres as Zhodino and Novopolotsk (Byelorussia), Kedainei (Lithuania, one of the Baltic republics), Sumgait (Azerbaijan), Rustavi (Georgia) and Oktemberyan (Armenia).

The present-day industry accounts for two thirds of the gross social product and the same of the national income of the Soviet Union. As of the end of 1986, industry had more than 210,000 mechanized production and automated lines, 102,000 comprehensively mechanized and automated production departments, workshops and subsectors and about 170,000 computer-controlled units.

Output of power and electricity per worker in industry increased, accounting for 12 per cent in 1980 — 1985 for the former and 13 per cent for the latter during the same period.

Intensified production based on the use of means of automated management systems, robotics and flexible automated technologies is a prerequisite for further industrial advance. In this context, certain contribution to this cause will be made by such newly created joint ventures as HOMATECK (USSR — FRG) producing machining centres, flexible industrial modules and robot, sensor and laser systems; PRIS (USSR — USA) developing, producing and commissioning automated systems of production control in oil-refining, chemistry and petrochemistry; DIALOGUE (USSR — USA) producing computer programmes.

Mechanical Engineering Complex

Machine-building is undoubtedly the most important sector in industry. The mechanical engineering complex serves as a base for technical retooling of the whole national economy. Hence the development of mechanical engineering is the priority objective today. To this end, however, material basis for mechanical engineering itself is needed. This implies that the bulk of the latest equipment will be channelled to this sector in order to substitute the active part of the production assets.

The overall output in machine-building is to be augmented by 7.1 per cent in 1988. Top priority branches — computer, electrotechnical, instrument-making and machine-tool industries — will account for the growth rate that is expected to be 1.4 times higher than in machine-building in general. The output of R&D intensive products for machine-building is to be radically enhanced in 1988. For instance, the production of highly efficient rotor and rotor-conveyor lines is to go up 2.1 times; personal computers, 2.4 times; machining centres, by 22 per cent. Yet the demand for certain types of advanced equipment will not be fully met in 1988.

The leading role in the mechanical engineering complex belongs to the machine-tool industry. Originally it developed in such traditional machine-building centres as Moscow and Leningrad. Large mechanical engineering plants in Byelorussia, the Volga Region, Transcaucasia, the Urals, Western Siberia, the Far East and Kazakhstan followed suit. The year of 1986 saw the output of 164,000 metal-cutting tools, among them 20,300 numerical control units. The production of high-tech tools is on the rise. The output of automatic and semi-automatic lines for machine-building and metal-working has increased from 814 to 1,252 sets, machining centres — from 700 to 4,100 units, industrial robots — from 1,400 to 17,400 units.

Of special significance in machine-building is the production of metallurgical equipment for blast-furnaces, steel-smelting furnaces and metal rolling (see Table 3).

Table 3

Production of Equipment for Metallurgy

Types of equipment	1980	1985	1986
Metallurgical equipment:			
blast-furnaces (000 tons)	124	131	128
(mln roubles)	44.1	62.9	60.8
steel-smelting equipment (000 tons)	73.1	66.0	66.2
(mln roubles)	44.2	45.6	44.5
rolling equipment (000 tons)	133	122	123
(mln roubles)	169	201	202
Machines and equipment for continued metal casting (000 tons)	22.2	29.8	27.2
(mln roubles)	28.6	44.1	45.0

The output of metallurgical equipment (machines for continued metal casting included) is currently at the level of 340,000—250,000 tons worth 300—350 million roubles. Rolling accounts for the bulk of these figures — up to 35—37 per cent and 57—59 per cent respectively. So far priority is given to the production of rolling equipment, though its share is gradually decreasing in the total output of metallurgical equipment. As to the share of machinery and equipment for continued casting, it kept growing steadily. Thus, in 1985—1986, it accounted for 8 to 8.5 per cent as compared with 6 per cent in 1980. Notwithstanding its primacy in continued metal casting technology, the USSR's current needs in said equipment are far from being satisfied so far. This modern technology accounts for about 15 per cent of Soviet steel production at present, and by the early 21st century its share may rise to 50 per cent.

Heavy machine-building plants turn out equipment for construction, mining, power and chemical industries and other sectors.

Plants producing mining equipment are situated mostly in mining areas. They turn out mining loaders for coal and rock loading in bulk, tunnelling equipment, including machines for coal extraction in thick beds (see Table 4).

Table 4

Production of Mining Equipment (in units)

	1970	1975	1980	1985	1986
Clean-up and plough machines for coal and ore mining	1199	1267	1455	1231	1161
Drive-working machines	327	510	587	642	636
Mining loaders	2459	2807	3032	3335	3233
Mining electric locomotives	2548	2605	2477	2875	2902

The production of mining equipment reflects the tendency of the development of coal-mining industry. The latter is concentrated mainly in the vicinity of big coal-fields suitable for open-cut mining, which accounts at present for 40 per cent of coal production in the USSR (27 per cent in 1970). Underground mining decreased by 15 million tons over 1980—1986. Consequently, the production of machines and equipment for underground mining dwindled. But mining electric locomotives are being produced on a larger scale now.

Power engineering responsible for the production of steam-boilers, turbines and generators, diesels and electric motors (see Table 5) is located primarily in such

Table 5

Power and Electrotechnical Tools

	1970	1975	1980	1985	1986
Turbines, thousands of units/mln kW	0.3/16.2	0.4/18.9	0.5/21.6	0.5/21.6	0.5/20
Steam-boilers (more than 10 tons of steam per hour), thousand tons of steam per hour	48.4	55.6	51.0	43.7	51.7
Diesel engines (excluding motor and tractor engines), mln hp	16.5	18.6	19.0	16.6	17.0
Turbine generators, mln kW	10.6	17.1	16.1	12.3	14.9
AC electric motors (pivot axis exceeding 63—450 mm), thousands of units/mln kW	5.9/ 33.3	...	9.4/ 47.6	9.3/ 49.4	9.5/ 50
Power transformers, mln kW·A	106	137	159	161	168

towns as Taganrog, Belgorod, Barnaul, Biisk (steam-boilers); Leningrad, Kharkov and Novosibirsk (turbines); production of diesel engines is well developed in such economic regions as the North-West, Central Russia, the Baltic republics, the Volga-Vyatka Region and the Ukraine.

Transport engineering, especially motor-car construction, is rapidly developing in the USSR. Various types of vehicles are produced, such as cars, trucks (including specialized) and buses.

The Likhachev autoworks (3- to 6-ton trucks) in Moscow and Gorky autoworks (medium load trucks and cars) — the firstlings of Soviet truck and car making — are expanding their facilities. Heavy lorry and truck works were constructed in Mias (the Urals), in Minsk and Zhodino (Byelorussia), in Naberezhnye Chelny (Tataria), in Kremenchug (the Ukraine) and in Kutaisi (Georgia). Small cargo motor-cars are turned out in Ulyanovsk (the Volga region).

Mini-car production is gaining momentum in Moscow and Togliatti. The AvtoZAZ association is to start presently making super mini-cars of a new generation, their annual output is to be at 150,000 starting from 1990. New models of mini-cars — Oka, Kama-1111, VAZ-1111 — appeared in Togliatti, Naberezhnye Chelny and Serpukhov in 1988.

Bus production is mainly located in Likino (Moscow Region), Lvov (Western Ukraine) and Pavlovsk (Gorky Region).

Higher demands on quality and comfort are so far not adequately met by Soviet auto producers. Hence a considerable number of high quality and large capacity buses is imported from Hungary. In this connection joint production of an economical, comfortable and capacious city bus could be started by Soviet enterprises and foreign firms. The more so that the motor-car industry is by far the most active branch in cooperation with foreign firms. However it is so far in its babyhood, but the available opportunities are immense here.

Diesel engine trucks are produced in large quantities by ZIL and KamAZ autoworks. Large carrying capacity lorries for open pits (Zhodino plant), as well as vehicles with loading and unloading equipment and container carriers are being developed and new types of fuel (condensed and liquefied gas) are being introduced.

Production of railway rolling stock is an important segment of mechanical engineering. Diesel and electric locomotives now forming the major part of railway transportation means, the country's leading plants in Kolomna, Voroshilovgrad and Kharkov have been switched over to making diesel locomotives. There are also new plants in Tbilisi and Novocherkassk. Mechanical plants in Nizhnii Taghil, Kremenchug, Kaliningrad and Altai have started turning out rolling stock with high performance and greater load capacity. The Riga carriage plant has developed high-speed carriage trains. The stock of specialized wagons is being replenished with new isothermal tank-cars, hoppers, subway cars. New models of powerful main-line diesel and electric locomotives have been designed of late.

The technical base of sea and river ship-building is currently updated. Shipyards producing sea vessels in Leningrad and Nikolayev and river vessels in Gorky,

Table 7

The Aggregate Capacity of Power Stations and Power Output

Year	Power stations		Including hydro-power stations	
	capacity (mln kW)	power output (bln kWh)	capacity (mln kW)	power output (bln kWh)
1970	166	741	31.4	124
1975	217	1039	40.5	126
1980	267	1294	52.3	184
1985	315	1544	61.7	215
1986	322	1599	62.1	216

exceeded the level of 1980 by 2.2 times. Industry was the major power consumer — 58 per cent of the total output in 1986. Agriculture's power consumption is growing, its share now standing at 9.5 per cent as compared with 8.6 per cent in 1980.

The target figures for total output in 1986—1990 are 1840—1880 billion kWh, of which 390 billion kWh will be contributed by nuclear power stations.

The Energy Programme of the USSR provides for future construction of predominantly nuclear power stations. This is to result in five- to seven-fold increment in their output by the year 2000 in comparison with 1985. Construction of power stations using cheap coals and large-capacity thermal power stations, mostly in the East of the country, will be accelerated.

It is primarily large-capacity thermal power stations that are being built now. They are using mainly such low quality fuels (lignites and shales) and natural gas. The biggest thermal power stations with a capacity over 2 million kWh are located in Central Russia — Kostromskaya, Konakovskaya and Kashirskaya power stations; in the Volga Region — Zainskaya; in the Urals — Reftinskaya, Iriklinskaya and Troitskaya; in the Donetsk-Dnieper Region in the Urkaine — Zaporozhskaya, Zmiyevskaya, Slavenskaya, Pridneprovskaya, Starobeshevskaya, Uglegorskaya; in Byelorussia — Lukomskaya; in Kazakhstan — Yermakovskaya, Ekibastuzskaya; in Siberia — Surgutskaya, Berezovskaya; in Central Asia — Angrenskaya.

The 500,000 to 700,000 kW strong power stations near the open-cut coal fields of Kansk and Achinsk in Siberia and Ekibastuz in Kazakhstan provide both for the energy supply of the near-by areas and distant parts of the country.

Construction of large hydro-power stations is one of the present-day priorities in Soviet power industry. Their aggregate capacity was estimated at 62 million kW and output totalling 216 billion kWh in 1986 (see Table 7). The distinguishing feature of erecting hydro-power stations in the USSR is the construction of cascades of such stations. The biggest among them are the ones on the Volga and the Kama, the Dnieper, the Yenisei and the Angara rivers. The latter alone has six stations whose total capacity equals 26 million kW, Sayano-Shushenskaya and Boguchanskaya stations included. They are equipped with radial-axial power units with a capacity of up to 640,000 kW. Of special significance in power industry is the coordination of performance of power stations with different driving gear. To harmonize their work an Integrated system of power supply embracing over 90 per cent of the output of power in the USSR was established. It incorporates 85 per cent of the total power capacity of the country, i.e. 700 big power stations with a capacity exceeding 250 million kW. The Integral system comprises powerful electric lines with 500 to 750 kV voltage. The lines connecting Ekibastuz station with the Urals are expected to have a voltage of up to 1150 kV.

By the end of the 12th five-year plan period, Surgutskaya II, Urengoiskaya and Nizhnevartovskaya power stations are to be put into operation. Construction will be started of Berezovskaya II, Neryungrinskaya and of the second stage of Gusinoozyorskaya stations. Ekibastuzskaya II will become operational and a foundation of Ekibastuzskaya III will be laid. At the same time construction of several nuclear power stations will be completed. Among them are Kalininskaya, the second stage of Smolenskaya, Balakovskaya, Tatarskaya, Rostovskaya, Gorkovskaya and Voronezhskaya thermal nuclear power stations. Also to be commissioned are Krymskaya, Zaporozhskaya, Khmelnitskaya, Rovenskaya, Yuzhno-Ukrainskaya nuclear power stations, Odesskaya thermal nuclear station, as well as a number of power facilities in Georgia and Armenia.

Kiev, Astrakhan, Tyumen and Kherson were modernized among the first. The Soviet marine has been replenished with various Soviet made ships: dry cargo ships with deadweight ranging from 4,500 to 53,000 tons, tankers with deadweight between 4,900 and 65,000 tons and liners with passenger capacity from 200 to 700. Dry cargo river ships and tankers with a freight-carrying capacity from 300 to 5,000 tons, steam-ships for 400 passengers, 300 to 2,400 hp strong river towboats have joined the Soviet river fleet.

The USSR has an extensive production of agricultural machinery and equipment: tractors and combines for various crops, tractor-drawn ploughs, seeding machines, harvesters as well as plant for livestock breeding and forage production (see Table 6).

Table 6

Production of Agricultural Machinery

	1970	1975	1980	1985	1986
Tractors (thousand pieces)	459	550	555	585	595
mln hp	29.4	41.4	47.0	52.8	54.5
Tractor-drawn ploughs (thousand pieces)	212	205	202	207	220
Tractor-drawn seeding machines (thousand pieces)	163	180	201	230	229
Row harvesters (thousand pieces)	47.7	92.1	98.1	85.7	76.4
Combines (thousand pieces)	160.6	213.1	193.0	174.3	188.9
including combine harvesters	99.2	97.5	117	112	112

Tractors are produced at the Kirov plant in Leningrad, in Volgograd, Kharkov, Chelyabinsk, Altai, Vladimir, Lipetsk and Minsk. Specialized tractors are made in Kishinev and Kazan (horticultural tractors), in Minsk, Leningrad and Petrozavodsk (lumber and skidding tractors). Harvesting combines are assembled in some economic zones of the country — in Ternopol, Rostov-on-Don, Krasnoyarsk and Lyubertsy (Moscow Region). Beet harvesters are turned out in Dnepropetrovsk and Odessa, potato harvesters in Ryazan and Tula, flax harvesters in Kalinin Region.

To overhaul Soviet agriculture, high efficiency machinery will be produced on a larger scale in 1988 than stipulated by the targets of the five-year plan period. By 1990 its output worth 3,600 million roubles, is expected to exceed 2.4 times the level of 1987.

Fuel and Energy Complex

The Soviet Union is the only industrialized country in the world which fully meets its demands in fuel and energy through exclusively domestic production of its own. More to that, the USSR is a major exporter of energy carriers.

The country possesses a powerful fuel and energy complex embracing power, oil, gas and coal industries. The guidelines of the Energy Programme of the USSR make up for a better structure of the country's energy balance. At present the share of oil stands at 42 per cent, that of gas at 33.3 per cent and coal at 22.8 per cent of the total balance. In future the share of oil is expected to decline through wider use of gas and coal, accelerated development of nuclear and hydro-electric power and extensive power saving technologies.

Power Industry

The aggregate capacity of the country's power stations totalled 322 million kW in 1986, the power output stood at 1599 billion kWh. The development of the capacity of Soviet power stations and power output are given below in Table 7.

The above data demonstrate that hydro-power stations contribute 14 to 16 per cent of the total power output, their capacity making up 20 per cent of the aggregate capacity of all power stations. Nuclear power stations accounted for 161 billion kWh in 1986, which

Oil Industry

Oil industry is another sector of the fuel and energy complex. There are several areas in the USSR which boast of considerable oil resources and large-sclae oil production. Oil extraction, including gas condensate, amounted to 600 million tons in 1986, which is twice as much as in 1970.

A special place in oil extraction is held by the oil fields lying between the Volga and the Urals and in Western Siberia. The volume of production at the former is gradually diminishing. While in 1970 it topped 200 mln tons, by 1986 it had dropped to 140 mln tons and is expected to further dwindle to 100 mln tons by 1990. Western Siberia is responsible for the extraction of two-thirds of Soviet oil. Siberia's major oil-fields are Samotlor, Ust-Balyk, Megnonskoye, Sosninsko-Sovetskoye. The country's biggest territorial-industrial complex based on oil and gas resources has been deployed and is successfully developing in Tyumen and Tomsk Regions in Siberia.

Oil extraction is traditional in Northern Caucasus and Transcaucasia. Other important oil-fields are in Kazakhstan (rich deposits in the Mangyshlak peninsula — Uzen, Zhetybai, Tenghiz) and in the Komi Autonomous Republic in extreme north-east of the European part of the USSR (Usa, Ukhta and Pashninskoye deposits).

Off-shore oil extraction is progressing in the Caspian Sea (Neftyanye Kamni oil deposit in Azerbaijan), the Kara and the Baltic Seas and the Sea of Okhotsk. A petrochemical complex using local oil and gas has started shaping in the Caspian Sea area.

By 1990 oil production is to reach 625—640 mln tons. Western Siberia is expected to remain the USSR's major oil field. Oil industry in Kazakhstan will further develop. Oil prospecting in Eastern Siberia and on the continental shelf will be intensified.

Oil extraction should be closely associated with oil-refining. For most part oil refineries are located in the areas where consumption of oil products is high, which is explained by the fact that the delivery of crude oil is less costly than that of finished oil products. Oil-refining facilities are concentrated in the centre of the European part of the USSR, in the Volga Region, the Urals and the Far East. Kazakhstan, Central Asia, Byelorussia, and the Ukraine also have refineries of their own.

The development of oil-refining in the east of the USSR has contributed to better supplies of these regions with oil products, which previously had to be brought there from the European part of the country.

In future, modern technologies providing for more efficient refining will be introduced in the oil-refining industry.

Gas Industry

Natural gas extraction is the key direction in the development of the Soviet gas industry. Gas is used as fuel in industry and household and serves as a raw material for chemistry.

Over 1970—1986 natural gas extraction in the USSR increased 3.5 times and amounted to 686 bln cubic metres. Its share among all types of extracted fuel doubled and stood at 37 per cent in 1986. The most perspective gas fields are situated in Western Siberia, the Komi Autonomous Republic, the Orenburg Region, and in the Caspian depression. Gas fields in the Ukraine (Dashava and Shebelinka), Northern Caucasus and Central Asia continue to be exploited.

Special attention is now paid to complex processing of natural gas to obtain ethane, sulphur and other by-components.

To ensure a more rational use of extracted gas, an Integrated system of gas supply of the USSR was established. Its growing capacities embrace pipelines with total length exceeding 160,000 kilometres and connecting hundreds of gas fields and underground gas-holders. This system provides gas for 2,000 cities and towns, 3,000 townships and more than 165,000 rural settlements.

By 1990 gas production is to reach 835—850 bln cubic metres, the bulk of the surplus being contributed by Yamburg, Karachaganak and Astrakhan gas deposits. The share of natural gas in the consumption of primary energy carriers is expected to go up to 38 per cent.

Coal Industry

In 1986, the USSR produced 751 mln tons of coal, 42 per cent of which was extracted to open-cut pits. Pit coal accounted for 78 per cent of coal production in 1986 (see Table 8).

Table 8

Coal Production (mln tons)

Indicator	1970	1975	1980	1985	1986
Coal production, total	624	701	716	726	751
including:					
pit coal	476	538	553	569	588
brown coal	148	163	163	157	163
Open-cut mining	167	226	271	305	321
Coal briquetting	7.2	8.3	6.8	4.9	4.9

Donbass (Donetsk coal basin) keeps its position as a major coal producer of the USSR, accounting for one third of the total and 47 per cent of coking coal output. Production here is maintained at a high level in spite of the fact that its production cost exceeds the country's average, which is due to deep mining of thin seams.

Second largest coal field in the country is Kuzbass (Kuznetsk basin) with thick seams of high quality coal.

The Karaganda basin in Kazakhstan producing coking coal has become an important coal producer in the USSR.

Open-cut mining in Ekibastuz with 45 mln tons a year is also ranking high in Soviet coal industry. A large territorial-industrial complex with big thermal power stations is being built here, its energy being supplied to the Urals and further to the West of the USSR. Coking coal extraction is continued in the Pechora basin, which is responsible for supplies to Cherepovets metallurgical plant.

Total coal output is to reach 780—800 mln tons by the year 1990. Accelerated growth of coal extraction is planned in the country's east: in the Kansk-Achinsk and Ekibastuz fuel and energy complexes (open-cut mining) as well as in South Yakutia (Neryungri coal deposit) and other coal fields of Siberia and the Far East.

The growth of coal production is based on latest technologies and modern equipment: large-capacity bucket-wheel excavators, line and synchronized line production technologies in coal field stripping, new types of mining and transport plant.

When regarding the oil, gas and coal industries as an integral part of the fuel and energy complex one should not ignore their prominent role as suppliers of raw materials for petrochemistry and coke production.

The above data show that disposing of themendous oil, gas and coal resources, the USSR has all necessary preconditions for the creation of large-capacity processing complexes. For instance, Astrakhan petrochemical and gas complex is being constructed now. It is planned that Tenghis gas treatment complex will be producing sulphur, polymers, a broad fraction of light hydrocarbons. Oil and gas treatment offers a variety of opportunities for joint ventures. Commercial talks are under way with USA, Italian and Japanese firms on joint processing of resources of Tenghis deposit. Among the already existing joint ventures there are PETROKAM (USSR — FRG), production of ethyleneglycol, and PRIS (USSR — USA) specializing in R&D for technologies in oil-refining, petrochemistry and chemical industry.

Metallurgical Complex

The USSR has powerful metallurgy, which provides for the country's needs in cast iron, steel, rolled metal and non-ferrous metals.

Metallurgical works are located primarily in the proximity of iron ore or coal deposits (Donbass, Krivoi Rog, the Urals and Kuzbass) as well as close to sources of both ore and fuel (the Dnieper and the Azov Sea areas). In some cases mills are situated in metal consuming areas, like the mill in Cherepovets in Northern Russia, which uses the coal from the Pechora area and the iron ore from Karelia and the Kola Peninsula.

The so-called reusing metallurgy, which uses scrap metal, is as a rule placed in large centres of mechanicl engineering. These are, for example, "Krasny Oktyabr" in Volgograd, "Serp i Molot" in Moscow, the mills in Rybnitsa (Moldavia) and Zhlobin (Byelorussia).

There are also other factors which influence the location of metallurgy, such as pure content of metal in the ore and energy capabilities. Copper-smelting works are usually placed close to copper deposits. Mills producing aluminium, magnesium and other non-ferrous metals are located within an easy reach of cheap power.

Ferrous Metallurgy

The USSR is the world's leader in pig iron and steel production and iron ore extraction, and ranks second in the output of rolled metals. As of 1986, pig iron production stood at 114 mln tons; steel, 161 mln tons; rolled products, 112 mln tons; steel tubes, 19.8 mln tons.

While over 1970—1985 rolled metals production went up 30 per cent, output of economical types of rolled stock grew still faster: low-alloyed steel output increased two-fold, hardened steel went up 3.2 times; formed sections, 5.4 times; cold-rolled sheet, 1.9 times; coated steel sheet, 2.1 times.

The target figure for 1990 of rolled stock output is 116—119 mln tons. Expanded production of rolled products is to be ensured without greater consumption of pig iron and through simultaneous reduction of coke consumption. Assortment of metal products is to be improved. Production of rolled steel sheet, for one, is to reach not less than 50 mln tons; rolled low-alloyed steel, 20—21 mln tons; hardened metal, 15—16 mln tons.

Converter and electric steel output is to go up 30 to 40 per cent. Large-capacity mills, like those in Magnitogorsk, Kuznetsk, Zaporozhye (Zaporozhstal), Zhdanov (Azovstal) and in the Urals, are to be comprehensively retooled.

The production of pig iron, steel and rolled ferrous metals is concentrated mainly in five major metallurgical bases of the Soviet Union. The mills of the Southern base are grouped in three regions: the Dnieper Region (Krivoi Rog, Zaporozhye and Dneprodzerzhinsk — integrated mills and reusing of scrap); the Donbass Region (Donetsk, Yenakiyevo, Makeyevka, and Kramatorsk-integrated mills); the Azov Sea Region (Zhdanov).

The second metallurgical base, in the Urals, includes the Magnitogorsk, Nizhnii Taghil, Chelyabinsk, and Novotroitsk mills using coal from Kuznetsk and Karaganda and ores partly from Kazakhstan and the Kursk area (the Kursk magnetic anomaly), Central Russia.

The third base, in Siberia, uses the iron ores of Gornaya Shoriya, Khakassiya, Angaro-Ilimsky basin and the coal of Kuzbass. It is represented by Kuznetsk and Zapadno-Sibirsky (Western Siberia) mills, Novosibirsk, Krasnoyarsk and Petrovsk-Zabaikalsky reusing mills.

The forth one, in Kazakhstan, embraces the Timirtau mill and the ferrous alloys mills using local raw materials and fuel.

The fifth base, the central one, includes integrated works (Novolipetsky and Novotulsky mills), steel and rolled stock mills in Moscow, Elektrostal (Moscow Region) and Gorky. It also includes the Oskol electric steel mill turning out nodulized and blast-furnaceless steel. The mills are fed by coal from Donbass and iron ore from the Kursk magnetic anomaly supplied by Lebedinsky, Mikhailovsky and Stoilensky ore-mining and processing enterprises.

At present, Soviet ferrous metallurgy is being modernized. Its fixed production assets are being updated, new technologies and latest smelting equipment for non-furnace treatment and casting are being introduced, open-hearth furnaces are being replaced by converters and electric furnaces, powder metallurgy is being advanced.

Non-Ferrous Metallurgy

The Soviet Union has the world's largest explored reserves of copper, lead, zinc, nickel, boxites, mercury and tungsten. Extensive non-ferrous metallurgy makes use of these vast reserves, with aluminium and copper smelting in the lead.

Aluminium smelting is located in the north-west of the European part of the USSR and in the country's North, in the Volga area, the Urals, Siberia, Kazakhstan, the Ukraine, and in Transcaucasia. Alumina is produced in Boksitogorsk, Volkhov, Pikalev, Krasnoturyinsk, Kamensk-Uralsky and Achinsk. Metallic aluminium is manufactured in Zaporozhye, Volgograd, Kandalaksha and Volkhov.

Aluminium production is growing in the east of the country: in Novokuznetsk, Pavlodar, Shelekhov (Irkutsk Region), Krasnoyarsk, Bratsk, Tursunzadeh (Tajikistan), Sayanogorsk (near Sayano-Shushenskaya hydro-power station).

Big copper mills are concentrated in the Urals area — Krasnouralsky, Kirovogradsky, Revdinsky, Karabashsky and Mednogorsky mills, the latter producing blister copper. Refined copper is smelted at Verkhne-Pyshminsky and Kyshtymsky mills. A large-capacity copper-mining and processing enterprise is placed in Gai (Orenburg Region).

The major copper extracting facilities in the USSR are to be found in Kazakhstan, among them are such mills as Balkhashsky, Dzheskazgansky and Irtyshsky (the town of Glubokoye) producing both blister and refined copper. There are also copper mills in Armenia (Alaverdinsky mill) and in Georgia (Madneulsky mining and processing factory) as well as refined copper mills in Moscow, Leningrad and Kalchugino.

Zinc and aluminium are smelted both with the use of old facilities in Northern Caucasus, the Far East and newly constructed mills in Belovo (West Siberia), Ust-Kamenogorsk and Leninogorsk (Kazakhstan), Chelyabinsk (the Urals), and in Konstantinovka (the Ukraine).

Nickel smelting is based on Monchegorsky, Ufaleisky, Orsky and Norilsky deposits. The latter's capacity grew considerably after tapping a copper-nickel deposit in Talnakh, the extreme north of the Krasnoyarsk Territory.

Production of tin, magnesium, tungsten, molybdenum, antimony, mercury and other non-ferrous metals is currently boosted.

Chemical Industry

The Soviet Union has a considerable chemical industry potential embracing hundreds of chemical plants in various parts of the country. The sector has several new sub-industries producing nitrogen products, plastics, artificial fibres and rubber, dyers, etc. The Soviet chemical industry ranks first in Europe and second in the world. New deposits of apatites and phosphorites, potassium, sulphur, sodium sulphate and common salt have been discovered. Production of chemicals is often combined with coke and non-ferrous metals production and oil refining and other types of industrial production. For instance, nitrogenous fertilizers plants using coke gas emerged in the Ukraine and West Siberia. Non-ferrous production waste — sulphurous gas — is extensively used by sulphuric acid plants in the Urals, the Ukraine and Transcaucasia. Similar enterprises can be found elsewhere: in Central Russia (Voskresensky, Shchelkovsky, Novomoskovsky, Chernorechensky (Dzerzhinsk), plants), in the Urals (Bereznikovsky and Permsky plants) and in the Ukraine (Konstantinovsky, Vinnitsky and Odessky plants). Sulphuric acid monohydrate output totalled 27.8 mln tons in 1986 (see Table 9).

Table 9

Production of Sulphuric Acid, Calcinated Soda and Caustic Soda (mln tons)

Types of product	1970	1975	1980	1985	1986
Sulphuric acid (monohydrate)	12.0	18.0	23.0	26.0	27.8
Calcinated soda	3.4	4.7	4.7	4.9	5.0
Caustic soda	1.8	2.4	2.7	3.0	3.2

Calcinated and caustic soda production has been fully modernized. Largest soda facilities are Donetsky and Slavyansky plants in the Ukraine, Bereznikovsky plant in the Perm Region. Sterlitamaksky and Mikhailovsky plants respectively in Bashkiria and the Altai area.

into service in the Gomel, Mogilyov and Lvov Regions and in the Carpathian area. Data on the output of pulp, paper and cardboard are given in Table 11.

Table 11

Production of Pulp, Paper and Cardboard (mln tons)

Types of product	1970	1975	1980	1985	1986
Pulp	5.1	6.8	7.1	8.4	8.7
Paper	4.2	5.2	5.3	6.0	6.2
Cardboard	0.5	3.4	3.4	4.0	4.2

Notwithstanding the growth of paper production, the USSR is currently in dire need of the product, especially high-quality paper. Expansion of production and manufacturing of higher-quality paper may be regarded as a promising area for joint-venture business. For example, a large-capacity pulp and paper mill was constructed in Ust-Ilimsk in Siberia through joint efforts of our country and CMEA members. There is another joint venture in the same region, not far from Irkutsk, Igirma-Tairiku — a Soviet-Japanese joint venture producing sawn timber.

Agroindustrial Complex

Agriculture is one of the key and vitally important sectors of the Soviet economy. It accounts for 16 per cent of the country's gross social product. By 1990 the target figure for gross output in this sector is to rise by 14 to 16 per cent as compared to 1986. The relevant indicator for food, meat and dairy output is expected to go up by 18 to 20 per cent.

Farming in the Soviet Union is spread all over its territory. Suffice it to mention that over 60 per cent of arable lands are located to the north of the 48th latitude where vegetation period lasts 130—140 days. Almost half of the lands are in the zone where precipitation level hardly equals 350 millimetres a year.

The USSR's total area constitutes, according to the 1986 data, 2227.6 million hectares, of which 559 mln hectares are occupied by agricultural lands, 227 mln hectares by arable lands and 326 mln hectares by grass and pasture lands.

As of 1986, the arable lands stood at 210.3 mln hectares, 55 per cent thereof occupied by cereals. The main grain-growing areas are located in the Volga Region, Siberia, the South Urals, the Northern Caucasus, the Central Chernozem zone (the black earth belt), in the Ukraine and Kazakhstan.

The production of grain is the key sector of agriculture. The 1986 yield totalled 210 mln tons. The target for 1990 is 250—255 mln tons. The bulk of the growth in grain production is to be ensured through growing strong and hard grain crops. The average grain yield is to reach 21—22 metric centners per hectare in 1990 as compared with 16.2 metric centners per hectare in 1985 and 18 metric centners per hectare in 1986.

Cotton, flax, hemp and oil-bearing crops are important raw materials for the light and food industries and as fodder. Industrial crops were grown on 13.7 mln hectares of arable land in 1986.

The 1986 cotton yield as a staple industrial crop amounted to 8.2 mln tons. The main cotton-growing area is Uzbekistan, a republic in Central Asia, accounting for 61 per cent of cotton crop in the USSR. The second major producer is Turkmenia, followed by Tajikistan, Azerbaijan, Kazakhstan and Kirghizia.

The development of new regions in the Karshi steppe in Uzbekistan, in the Vakhsh valley and the Dangara steppe in Tajikistan and along the Karakum irrigation canal is to make up for cotton crops of 9.1 to 9.4 mln tons by 1990, cotton fibre crops accounting for 2.8 to 3.0 mln tons.

The main problem now faced by cotton-growing is the construction of irrigation canals and a rational correlation between the lands for cotton-growing and those for vegetable-growing and horticulture.

Fibre flax and hemp are used by the textile and food industries to manufacture linen and ropes. The gross fibre-flax yield in 1986 was 25 per cent of the 1983 yield and stood at 366 thousand tons. The two republics — the Russian Federation and the Ukraine — account for the bulk (70 per cent) of the production of flax in the USSR. The highest fibre-flax yield — 5.6 met-

Production of mineral fertilizers — phosphorous, potash and nitrogenous — is vital for the intensified development of agriculture. In 1986, the output of mineral fertilizers stood at 35 mln tons, in the nutrient equivalent (see Table 10). The target for 1990 is 41 or 43 mln tons.

Table 10

Production of Mineral Fertilizers (mln tons)

Types of product	1970	1975	1980	1985	1986
Mineral fertilizers (in nutrient equivalent), including:	13.1	14.0	24.8	33.2	34.7
nitrogenous	5.4	8.5	10.3	14.2	15.2
phosphate	2.5	4.6	5.6	7.8	8.5
potash	4.1	7.9	8.1	10.4	10.2
phosphorite flour	1.1	1.0	0.8	0.8	0.8

Superphosphate is produced by Voskresensky (Moscow Region), Aktyubinsky and Dzhambulsky (Kazakhstan), Nevsky (Leningrad) and Konstantinovsky (Donbass area) plants. There are several new plants in Kokand, Samarkand and Chardzhou (Central Asia), in Sumy (the Ukraine), in Kedainai (Lithuania), in Gomel (Byelorussia) and in Sumgait (Azerbaijan). Potash fertilizers are produced primarily in the following three regions: near the potassium deposits in the Urals area (Bereznikovsky and Solikamsky plants), in Byelorussia on the base of Starobinsky deposit (Soligorsk potassium plants) and in the vicinity of Stebnikovsky and Kalushsky deposits in the Ivano-Frankovsk Region in the Ukraine.

The use of natural gas as raw material facilitated to reorient nitrogenous fertilizers production to the Volga Region, West Siberia, Central Asia, the Urkaine and the Northern Caucasus. Large-capacity plants producing plastics are located in Central Russia (Moscow, Vladimir, Orekhovo-Zuyevo), in the Volga Region (Kazan, Volgograd), in the Urals (Nizhnii Taghil, Ufa, Salavat, Sverdlovsk), in West Siberia (Tyumen, Kemerovo, Novosibirsk), in Transcaucasia (Tbilisi) and in the Northern Caucasus (Grozny, Budyonnovsk).

In 1986, the output of plastics and synthetic resins reached 5.3 mln tons, artificial fibers, 1.5 mln tons (including synthetic fibres, 0.9 mln tons). Production of chemical products is scheduled to reach the level of 8.5 to 9.0 mln tons by 1990.

The bulk of artificial fibre production is concentrated in Kalinin, Ryazan, Balakovo, Cherkassy, Barnaul and synthetic fibre production in Kursk, Engels, Chernigov and Volzhsk.

Timber, Woodworking and Pulp and Paper Industry

The USSR has the world's biggest timber resources. It has forests on the territory exceeding 800 million hectares. Forest-plantation resources amount to 86 billion cubic metres.

The backbone of the industry is formed by timber enterprises. Timber production in 1986 stood at 296 mln cubic metres. Large-capacity enterprises of the timber industry are functioning in West and East Siberia, in the Far East, in the Urals and in the north of the European part of the USSR. Such new timber complexes as Bratsky, Anisovsky, Yeniseisky, Ust-Ilimsky and Amursky use timber from the territories which are to be flooded by reservoirs to be constructed.

The woodworking industry based on timber production manufactures plywood, matches and furniture.

Sawn timber production stood at 102 mln cubic metres in 1986. The eastern areas of the country account for the bulk of these products (more than 40 per cent of the total output). Major sawn timber enterprises are situated in Krasnoyarsk, Lesosibirsk, Irkutsk, Novosibirsk, Abakan and Igarka.

Furniture-making enterprises are spread throughout the USSR and brought closer to its consumers: the central regions of the Russian Federation, the Baltic republics, Byelorussia and the Ukraine.

Pulp and paper mills can be found in Arkhangelsk and Kotlas in northern Russia, in the Gorky and Perm Regions. Paper and cardboard factories have been put republics. In 1986 in the USSR 801 mln pairs of leather footwear were manufactured, and in 1990 the respective figure will be 900 mln pairs. Ranking first among the country's leading producers are such amalgamations as "Skorokhod" (Leningrad), "Parizhskaya Kommuna" and "Burevestnik" (both in Moscow). New automated factories were constructed in Sverdlovsk, Novosibirsk, Minsk, Kiev and Tbilisi.

Notwithstanding its considerable volumes, the quality of footwear production leaves much to be desired and is far from satisfying the tastes of exacting Soviet consumers. The unsatisfied demand is for the time being covered by import deliveries. LENVEST, a Soviet-West German shoe-making joint venture set up in 1987, will partly facilitate to resolve the problem of quality footwear for men, women and children.

Thus, the reader has been given a general and sectoral outline on the present-day state of the Soviet economy. As it was previously mentioned, this edition is meant to landmark its basic sectors. However, a general survey would be incomplete without highlighting territorial aspects of economic development in the USSR.

While reading this guide the reader could not fail observing that the development of various sectors of the Soviet economy is closely tied up to certain territories, in other words, to certain economic zones.

Economywise, the entire territory of the USSR is divided into specific territorial units which possess common economic features and are characterized by certain specialization and internal links as far as production is concerned.

At each stage of the planning of the country's development a task of determining rational specialization in every economic region's production is to be solved with due regard for local specific features. At present 18 large economic zones are distinguished on the USSR's territory; Northern, North-Western, Central, the Volga-Vyatka, Central Chernozem, the Volga, the Northern Caucasus, the Urals, West Siberian, East Siberian, the Far Eastern, Donetsk-Dnieper, South-Western, Southern, Baltic, Transcaucasian, Central Asian and Kazakhstan zones. Byelorussian and Moldavian Soviet Socialist Republics are separate economic zones.

The above-listed economic zones appear as territorial units of the national economy possessing certain economic integrity. Efficiency of their placement depends to a great extent on the system of territorial organization of production within a specific zone. The intrazonal production schemes that have shaped to date are characterized by close economic links existing among local industrial, agricultural, transport, and building enterprises and service organizations within the zone. These links contribute to turning goods and service enterprises into a territorial-industrial complex.

Such complexes constitute a form of spatial organization of productive forces widely accepted in the USSR. This is a totality of interconnected industrial and agricultural enterprises established in a specific territory to serve one or several objetives of the national economy.

This provides for a broad basis for cooperation and integration of production, more rational use of natural resources and manpower, reuse of materials and transport contributing to an overall economic effect.

Territorial-Industrial Complexes

Territorial-industrial complexes of the all-Union significance are set up within the zones with a high degree of concentration of natural resources. At present, the development of eight complexes of this kind is under way in the USSR. Data pertaining to their growth rate are given in Table 12.

Table 12

The Growth Rate of Territorial-Industrial Complexes (1980 = 100 %)

Territorial-industrial complex	1981	1985	1986
Zapadno-Sibirsky (West Siberian)	111	142	156
Kanso-Achinsky	103	123	128
Sayansky	107	117	127
Yuzhno-Yakutsky (South Yakutia)	105	202	210
Timano-Pechorsky	105	111	113
The Kursk magnetic anomaly zone	101	137	149
Pavlodar-Ekibastuzsky	104	130	136
Yuzhno-Tajiksky (South Tajikistan)	109	136	140

The purport of the Programme is to accelerate the growth rate and ensure stability in agribusiness as a basis for the whole of the foodstuffs complex. Agriculture is viewed by the Programme as a major link in the agroindustrial complex. Agroindustrial produce accounts for 96 per cent of the retail turnover of foodstuffs.

The Programme makes up for comprehensive mechanization in land cultivation and animal husbandry up to the year of 1990. Tasks have been set to improve the reliability of tractors, combines, machinery for plant-growing, livestock breeding and fodder production; to boost the output of tractors and agricultural machinery, to press for the development of high-efficiency industrial technologies and mechanized complexes. The targets for 1990 include, among other things, 3,740,000—3,780,000 tractors, 1,170,000 harvesting combines and other machinery for plant-growing worth of total 40 bln roubles and that of for livestock breeding and fodder production, 30 bln roubles.

Measures providing for the further development of material and technical processing, storing and transporting of raw materials and final products, mapped out by a conference held by the CPSU Central Committee on October 17, 1987, should be viewed as an inalienable part of the Food Programme.

Light Industry

The light industry of the USSR is represented in the national economic compex by both traditional and relatively new sectors: the cotton, textile and knitted garments industries; the tanning and extracting industry; synthetic leather, coating and non-woven materials, artificial and synthetic cloth production.

The textile industry is the major veteran branch of light industry. In 1986 the total output of cloth of all types amounted to 12.3 bln square metres, of which 7.8 bln square metres being cotton fabric. The bulk of the textile industry — about 90 per cent — is concentrated in the European part of the country. Large cotton mills have also been set up in Central Asia and in Siberia.

Special emphasis is laid on the construction of textile mills in small- and medium-size towns to make an effective use of the local workforce. Hence there is a wide network of small textile factories that can be found in some areas.

The wool industry was long well-established in the central and north-western part of the European part of the country, in the Volga Region and in the Baltic republics. Enterprises for the preliminary processing of wool, manufacturing of carpets and woollen cloth were also built in the Ukraine (Chernigov and Kharkov), in Byelorussia(Minsk and Vitebsk), in Transcaucasia (Kutaisi, Tbilisi, Baku, Yerevan), in the Northern Caucasus (Krasnodar and Nevinnomyssk). There are huge mills in the Moscow and Ivanovo Regions. In 198C, the USSR's output of woollen cloth stood at 670 mln square metres.

The USSR is the world's largest producer of linen. The central economic zone with the Vladimir, Kostroma, Yaroslavl, Ivanòvo and Kalinin Regions was responsible for the bulk — 60 per cent of the total output. To boost and rationalize the location of linen production, a number of enterprises in the Baltic republics, Byelorussia and the Volga region are to be retooled. Gross output of linen stood at 829 mln square metres in 1986, which exceeded the 1980 level by 20 per cent.

Major silk factories are located in the central zone — in the Moscow, Ivanovo and Kalinin Regions, in the north-west — in Leningrad, in the Central Asia republics — in the cities of Samarkand, Bukhara, Margilan, Leninabad, Ashkhabad, and in Transcaucasia — in Kutaisi and Telavi. Soviet silk production topped 1,957 mln square metres of silk cloth in 1986.

Artificial and synthetic cloth production is considerable in Kalinin, Gorky, Leningrad, Krasnoyarsk, Mogilev, and Engels. The target figure for 1990 is 15 bln square metres of synthetic fabric.

At present per capita output of leather footwear stands at three pairs of shoes a year. The main producers of footwear are the Central and North-Western economic zones, the Ukraine, Byerlorussia and the Baltic ric centners per hectare — is registered in the Ukraine which exceeds two-fold the relevant indicator in the Russian Federation. This crop is also grown in Byelorussia and the Baltic republics. Hemp is also grown in many regions throughout the country but is more heat-loving in comparison with flax. Hence it is sown in southern areas: in the Orel and Kursk Regions in Central Russia; in the Gorky and Penza Regions, Mordovia and Tataria in the Volga Region, and in the Ukraine. The highest crops are yielded in the south of the Ukraine, in the Northern Caucasus and in Kirghizia.

Since 1983 the annual sugar-beet production has averaged 80 mln tons but in 1986 it totalled 79 mln tons, which was a 4 per cent drop in comparison with 1985. The average yield of sugar-beet in the Russian Federation went down from 211 metric centners per hectare in 1985 to 197 metric centners per hectare in 1986; the Ukraine's record was from 266 to 260 metric centners per hectare for respective years, whereas Armenia gained from 308 to 363 metric centners per hectare. Sugar-beet yields were growing in Georgia and Byelorussia too. The Ukraine accounts for half of the country's yield and the Russian Federation, 38 per cent. The latter's major beet-growing lands are concentrated in the Central Chernozem zone (the black earth belt). Sugar-beet production is scheduled to be boosted up to 92 — 95 mln tons.

The production of oil-bearing crops occupies a prominent place in plant-growing. Sun-flower is the main one among industrial crops. The 1986 gross production of sun-flower seeds topped 5 mln tons, its average yield being 13.6 metric centners per hectare. The main sun-flower-growing lands are in the Russian Federation, which boast of 50 per cent of the gross production. Another 44 per cent share is grown in the Ukraine and 4.7 per cent in Moldavia.

Lands for oil-yielding flax are being currently expanded through the development of this crop in the Urals and Siberia, thus supplementing the traditional areas in the Volga Region, the Northern Caucasus, the Ukraine south, Central Asia and Kazakhstan.

Soya-bean growing is widespread in the Far East (in the Amur Region, the Primorye and Khabarovsk Territories). The crop is also cultivated in the Ukraine

and Moldavia. Its annual yield is to grow during the 12th five-year plan period. New irrigated lands are to be developed in Central Asia and Kazakhstan.

Potato is vitally important among industrial and food crops. Its gross yield in 1985 dropped to the 1981 level and equalled 73 mln tons. But in 1986 it registered a growth up to 87 mln tons. Potato is grown throughout the whole of the Soviet Union. However the main potato-growing areas are to be found in the south-west Ukraine, Byelorussia, the Baltic republics and Central Russia. The average potato yield stands at 137 metric centners per hectare.

Considerable fluctuations of the major indicators in plant-growing — yield and gross production of various crops — which cannot escape the reader's attention, are largely attributed to the extensive economic methods in agriculture practiced previously, inadequate technologies of land cultivation which entailed agriculture's heavy dependence on weather conditions. The key task now facing collective farms and state-owned farms is to improve the structure of agribusiness, the system of running certain sectors in agriculture, strict compliance with established farming technologies, the optimal terms of agricultural work included.

Animal Husbandry

Animal husbandry is an important sector of agriculture. There are hundreds of thousands of farms for cattle, sheep and pig breeding in the USSR. Pedigree stock-breeding farms contribute greatly to effective animal breeding and the production of high marketable surplus by collective farms. Pedigree stock at collective farms accounts for 90 to 95 per cent of the total livestock.

The total number of cattle in the USSR as of 1986 stood at 122.1 mln heads, of which 42.4 mln heads of cows. Among milk cow breeds there are kholmogorskaya, yaroslavskaya and krasnaya stepnaya; among meat and milk breeds there are kostromskaya, simmentalskaya, kurganskaya, krasnaya tambovskaya, and lebedinskaya. Meat breeds are kazakhskaya, white-headed, kalmytskaya and hereford. Yields of milk per one cow average now 2,604 kg. The target for the year 2000 is 3,000 kg on the average and 4,000—5,000 kg for the areas with high-efficiency milk cow-breeding. Total milk output amounted to 102.2 mln tons in 1986. The planned figure for 1990 is 106—110 mln tons of milk.

Meat cow-breeding is being industrialized at present. Young animals are to be slaughtered only after reaching the weight of 400—450 kg. The annual beef production is now 7.8 mln tons.

The pig stock stood at 79.5 mln heads in 1986. The production of pork has been streamlined at specialized complexes and non-specialized farms. Such high-productive strains have been raised as severnaya, ukrainskaya, stepnaya belaya, mirgorodskaya, livenskaya, breitovskaya and sibirskaya. Pork production is expected to grow up to 7—7.3 mln tons in 1990 as compared with 6.1 mln tons in 1986.

Sheep-breeding is responsible for the production of valuable raw materials for wool, fur and other sectors of light industry as well as for foodstuffs. The USSR's livestock of sheep and goats numbered 148.7 mln heads in 1986. The most favourable areas for sheep-breeding, both climatically and economically, are considered the regions of Central Asia, Kazakhstan, the Northern Caucasus and East Siberia. Fine-fleeced, astrakhan and sheep-skin breeds are the major trends in sheep-breeding in the USSR.

The production of wool stood at 469 thousand tons and meat production at 0.9 mln tons in 1986. The target figures for mutton output by 1990 are fixed at 1.2—1.3 mln tons.

Food Industry

Food industry enterprises are spread all over the country.

Special importance is attached to the development of meat production. Meat processing and packing factories are located on the whole territory of the European part of the USSR and in the east of the country. They are built both in meat consuming and meat producing areas to manufacture frozen meat products and canned meat and further deliver their produce to consumers.

Industrial production of butter and skimmed milk products is primarily based in large industrial centres with dairy factories. Major producers of dairy products are located in the Central and Volga-Vyatka Regions, in the Northern Caucasus, the Ukraine, and in the Baltic republics.

The Soviet Union is the world's leading producer of sugar-beet. Its production is quartered in sugar-beet growing areas, particularly in the Ukraine whose sugar-refineries account for 60 per cent of granulated sugar production in the USSR. The second largest zone of sugar production is the Central Chernozem belt — the Voronezh, Kursk, and Belgorod Regions. These are followed by sugar-refineries of Moldavia and the Krasnodar Territory. Sugar output stood at 12.7 mln tons in 1986.

The USSR has a developed fishing industry. Its fishing fleet consists of large trawlers, floating fish-factories and canneries, refrigirator ships, etc. fishing in distant regions of the Pacific, Indian and Atlantic Oceans. Fishing in the Soviet coastal waters has always been important for the fishing industry, especially in the Soviet zone of the Pacific. Over 75 per cent of the catch by the fishing fleet is forwarded to the food industry. Large-capacity fish processing facilities are located both in the coastal areas and in big industrial centres of the country. In 1986, fish take and sea food production stood at 11 mln tons. Besides that a large amount of fish — carp, sturgeon, salmon, sig and other freshwater fish — is added to the food ration of Soviet people by inland reservoirs. Annual per capita fish and fish products consumption in the USSR exceeds now 18 kg.

Artificial fish breeding and mariculture production as well as freshwater fish farming in rivers, reservoirs and ponds are to be boosted in the future.

The Food Programme launched for the period up to the year 1990 is aimed at the development of the agroindustrual complex with a view to ensuring ample and systematic supply of the population of the USSR with foodstuffs.

Primary industries in all these complexes are being complemented by the construction, food and light industries.

A conclusion may be drawn from what has been said that the economic potential of the USSR created over the past 70 years of Soviet government is considerable. Vast natural resources, advanced science and powerful workforce serve as a reliable basis for the whole country's prosperity.

Efficient use of these potentials may largely benefit by the advantages of the international division of labour and new forms of foreign economic cooperation, including the establishment of joint ventures and production units through the participation of all interested countries.

FOREIGN ECONOMIC ACTIVITIES IN THE USSR:
New Aspects

The territorial-industrial complexes were responsible for the whole surplus of gas and iron ore extraction and a considerable part of power output in the Soviet Union in 1981—1985. In 1986, their share in the gross production of oil amounted to 67 per cent; natural gas, 64 per cent; coal, 24 per cent; iron ore, 20 per cent; and electric power, 8.7 per cent. A brief survey on some complexes is given hereunder.

The Timano-Pechorsky (the Northern) economic zone is being set up on the basis of the following resources: coal (Pechorsky basin), oil (Ukhtinsky, Usinsky, Vozeisky and Kharyaginsky deposits) and gas (Vyktyl deposit).

Timber resources are of special importance for this complex. Its timber industry embraces timber, woodworking and timber chemistry enterprises. The Komi Autonomous Republic is an especially promising area where the construction of two timber integrated mills — Troitsko-Pechorsky and Ust-Kulomsky — is under way. The territory of the complex has a low density of population, scarce manpower and harsh climate. Hence a wide use of manless production based on latest technologies is to be developed there.

The Kursk magnetic anomaly economic zone is based on the mineral resources of the Kursk magnetic anomaly (the Central Chernozem Region), mining forming the backbone of the complex. Iron ore is extracted in open-cut pits in Lebedinsky, Stoilensky and Mikhailovsky pits. The bedding depth varies from 60 to 100 metres. The content of iron in the ore ranges from 35—37 per cent to 56—60 per cent, lean ores being concentrated. The content of iron in dressed ores stands at 64—68 per cent. Metallurgical works in Lipetsk, Tula and Cherepovets are the main consumers of local ores. Extensive mechanical engineering emerged in Kursk and Belgorod.

Kursk is majoring in instrument-making and electric engineering; Belgorod — in metal consuming production, i.e. mining machinery and steam boilers. The share of machine-building in the economy of the zone is to increase with the further growth of ferrous metallurgy. The local chemical industry is on the rise with synthetic fibres, artificial leather and rubber plants in Kursk, a vitamins plant in Belgorod and a washing detergents enterprise in Shebekino gaining strength. The economic zone is also remarkable for its agriculture. Considerable work is being done to recultivate the lands after the excavation of iron ore.

The Nizhne-Kamsky territorial-industrial complex was started with the construction of a series of autoworks on the Kama producing powerful trucks and motor-vehicle trains. Its annual design capacity is 150,000 lorries. On the Kama's opposite bank, in the town of Elabuga, the Kama tractor works is under construcion. Upon completion, it will turn out large-capacity tractor-cultivators. Power is supplied by the Nizhnekamskaya thermal power station, hydro-power station and the Zainskaya thermal power plant.

Another branch there is petrochemistry which exploits local liquid and gaseous fuels. Among the main petrochemical centres of the zone are Nizhnekamsk and Mendeleyevsk with enterprises producing ethylene, synthetic rubber, resins, plastics, mechanical rubber articles, cord, and fertilizers.

The Orenburg gas complex was founded in 1966 when a gas condensate deposit — one of the richest in the European part of the USSR — was discovered in the Orenburg Region. Other mineral resources (iron ore and copper, coal), favourable location and transportation lines connecting the zone with Kazakhstan and Central Asia also contribute to accelerated advance of the complex.

The city of Orenburg has a large-capacity enterprise for heavy organic synthesis and a raw material base for the production of synthetic rubber and fibres, plastics and fertilizers. Cheap gaseous sulphur is obtained from local gas and condensate through the application of desulphurization technology. There are several oil deposits. Local gas is used as a fuel for the power industry of the zone (Iriklinskaya, Orenburgskaya, hydro-power stations, Samarskaya and Kargalinskaya thermal power stations).

The Zapadno-Sibirsky (West Siberian) territorial-industrial complex is specializing in oil and gas extraction. This economic zone is situated in the Tomsk and Tyumen regions boasting of high quality oil with a high content of light oil products. Oil production cost in the zone is the country's lowest. There are considerable gas resources, especially in the northern areas. Oil prospecting has shifted on farther to the north where Urengoi, Medvezhye, Yamburg and Yamal deposits are being tapped.

The zone has vast timber resources which made it possible to construct large-capacity timber enterprises in Asino, Tobolsk, Surgur and Kolpashevo. Local machine-buiding produces plant and equipment for all major sectors of the economy of the zone with main emphasis laid on maintenance and repair of oil and gas equipment.

The local power industry relies on the zone's own gas. Among its leading facilities are Surgutskaya 1 and Surgutskaya 2 thermal power stations. The construction of the Nizhnevartovskaya and Urengoiskaya stations is nearing completion.

The huge territory of the East Siberian economic zone is subdivided into three complexes: the Kansko-Achinsky, the Bratsko-Ust-Ilimsky and the Sayansky complexes, each having its own specialization. For instance, the first one is majoring in brown coal extraction, non-ferrous metallurgy and chemistry; the second one on timber processing and iron ore extraction. It is exactly here that the magnetite ores of Angaro-Ilimsky deposits are developed (Korshunovo and Rudnogorsk mines). After ore dressing when the content of iron exceeds 60 per cent, the concentrate is delivered to the Zapadno-Sibirsky (West Siberian) metallurgical mill. The timber enterprises of the zone produce paper, cardboard, viscose, pulp and various products of mechanical processing of timber. The Sayansky complex is specializing in power consuming production (metallurgy and machine-building). The hub of the complex is formed by the Sayano-Shushenskaya hydro-power station. Local resources are extensively used by the Sorsky molybdenum mill, Tuimsky copper and molybdenum pit and the Sayansky aluminium smelting mill. For the time being the local aluminium industry uses imported alumina but there are plans to build an alumina plant near Chernogorsk utilizing local nepheline syenites.

The Sayansky territorial-industrial complex is the major agricultural producer for East Siberia. It has such sectors of agribusiness as wheat-, potato- and vegetable-growing and animal husbandry, primarily milk and meat cow-breeding.

The formation of the **Yuzhno-Yakutsky (South Yakutia) territorial-industrial complex** started with the construction of the BAM, the Baikal-Amur trunkline, especially of the Maly (smaller) BAM, the railway connecting the BAM, Tynda and Berkakit. The complex is being set up on the basis of the huge deposits of coking coal and iron ore in South Yakutia. Coal is extracted in Chulmakan and Neryungri coal pits, with coal beds lying at 50 to 60 metres depth. The pit in Neryungri alone is 13 mln tons rich. Not far from the pit there is the Aldan iron ore deposit whose pure iron content is 42 per cent. A railway linking Berkakit with Tommot will facilitate the development of other riches of Yakutia, particularly an apatite deposit in Seligdar.

The Yuzhno-Yakutsky complex is a pioneer one in the economic zone of the BAM. In the course of the development of the adjacent zone new complexes and industrial units will be established: Verkhne-Lensky (the upper Lena), timber and intensive processing of timber; Severo-Baikalsky (the northern Baikal) and Udokansky, non-ferrous metal; Zeisko-Svobodnensky (power production, non-ferrous metallurgy, woodworking); Urgalsky (coal mining).

There are also other territorial-industrial complexes on the territory of the USSR. For instance, new complexes are now being formed in the Russian Federation — Prikaspiisky (in the Caspian Region); in Kazakhstan — Pavlodar-Ekibastuzsky, Mangyshlaksky and Karatau-Dzhambulsky; in Tajikistan — Yuzhno-Tajiksky (south Tajik) complexes. These are big industrial areas with powerful raw material potentials as a basis of their development — coal in the Pavlodar-Ekibastuzsky complex, oil in the Mangyshlaksky complex, gas in the Prikaspiisky complex, chemicals in the Karatau-Dzhambulsky complex, and power resources in Yuzhno-Tajiksky complex.

PRESENT TENDENCIES IN SOVIET FOREIGN ECONOMIC RELATIONS

Soviet Foreign Trade • Restructuring the Management of Soviet Foreign Economic Relations • Soviet Cooperation with Socialist Countries • Problems of Economic Relations of the USSR with Capitalist Countries • Forms of Economic Relations with Developing Countries

1. Soviet Foreign Trade: Evolution and Problems of the Commodity Structure

Adherence of the Soviet Union to principles of peace and security, of economic feasibility and mutual benefit has been traditionally inherent in Soviet external economic relations.

Already at the dawn of Soviet power, Lenin viewed relations among states and, above all, international economic relations as an important factor of economic development of the country. He proceeded from the assumption that the Soviet state is a part of the world economy and hence "fundamental economic necessity will...make a way for itself" and "regular trade relations between the Soviet Republic and all the capitalist countries in the world are certain to continue developing"[1] . Expressing the desire and readiness of the young state to develop mutually beneficial forms of international cooperation, Lenin stressed: "We are decidedly for an economic understanding...with all countries"[2]..

In the 1920s and 1930s, the USSR broadened its economic ties: agreements on trade were signed with Britain, France, Germany and Italy. But real prerequisites for the country's involvement in the process of the international division of labour became available only in the late 1950s, which resulted in the growth of foreign trade turnover.

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[1] V.I. Lenin, Collected Works. Vol. 33, p. 265.
[2] V.I. Lenin, Collected Works. Vol. 30, p. 51.

Over 1960—1986, the volume of foreign trade grew five-fold.

This was the time of a large-scale breakthrough to the world market with a variety of commodities for industrial and consumer use and of a simultaneous growth in volume and assortment of imports. Alongside the stable priority of the socialist countries in Soviet foreign trade, expansion of economic ties with capitalist and developing countries was given more prominence compared with the previous decades (see Table 1).

In the late 1970s and early 1980s, the growth rate of foreign trade excelled that of the economy in general. The turnover of the external trade of the USSR from 1970 to 1985 increased 6.4 times in current prices and the surplus in comparable prices amounted to 12 per cent. The growth of the gross social product stood at 98 per cent, that of the national income at 94 per cent and of industrial products at 114 per cent.[1]

These data clearly testify to an ever greater significance of foreign trade in the Soviet economy.

But the 1980s saw a dwindled turnover, its rate slackened and volume went down from 142.1 bln roubles in 1985 to 130.9 bln roubles in 1986 and to 128.0 bln roubles in 1987. The main underlying reason was the price drop of the Soviet staple exports — crude oil and oil products. This situation resulted in lower hard currency receipts and hence in curtailed imports.

Far from all opportunities of the Soviet economy have been exhausted to promote foreign trade. The present structure of foreign trade does not correspond to the general structure of the Soviet economy and fails to meet the requirements existing in world trade under the conditions of scientific and technological revolution. One of the key tasks in the structural improvement of Soviet foreign trade is the refining of the forms of economic cooperation of the USSR with foreign partners.

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[1] Soviet Foreign Trade in 1985. Statistical Yearbook. Moscow, 1986, p. 16 (in Russian)

Table 1

Distribution of the Turnover of Soviet Foreign Trade among the Groups of Countries (million roubles)

	1960	1965	1970	1975	1980	1985	1986
Total							
Turnover	10071.1	14597.9	22078.6	50698.8	94097.3	142092.7	130934.0
Export	5005.5	7349.5	11520.1	24029.6	49634.5	72663.7	68346.9
Import	5065.6	7248.4	10558.5	26669.2	44462.8	69429.0	62587.1
With socialist countries							
Turnover	7370.8	10048.3	14403.1	28551.3	50552.5	86959.0	87500.4
Export	3790.3	4999.4	7530.3	14583.5	26903.0	44467.3	45660.8
Import	3580.5	5048.9	6872.8	13967.8	23649.5	42491.7	41839.6
Including the CMEA member-countries							
Turnover	5468.6	8471.3	12283.9	26247.6	45776.8	78107.8	79988.6
Export	2880.6	4210.2	6260.9	13362.8	24339.1	40223.8	42192.6
Import	2588.0	4261.1	6023.0	12884.8	21437.7	37884.0	37796.0
With industrialized capitalist countries							
Turnover	1917.3	2806.0	4694.2	15842.5	31583.1	37875.7	28989.2
Export	913.3	1340.6	2154.1	6139.9	15861.1	18581.4	13136.0
Import	1004.0	1465.4	2540.1	9702.6	15721.3	19294.3	15853.2
With developing countries							
Turnover	783.0	1743.6	2981.3	6305.0	11961.7	17258.0	14444.4
Export	301.9	1009.5	1835.7	3306.2	6869.7	9615.0	9550.1
Import	481.1	734.1	1145.6	2998.8	5092.0	7643.0	4894.3

Cited from the Soviet Foreign Trade statistical yearbooks for respective years.

Fuel and energy carrier resources accounted for almost one half of Soviet exports in the past few years—47.3 per cent in 1986 (see Table 2). The increase in the share of crude oil, oil products and other types of fuel in the mid-1970s was mainly due to a considerable price rise of these staples. Export of Soviet energy resources to the CMEA countries is vital for their economies.

At the same time, the growth rate of export of finished products and especially of machines and equipment, Soviet exports to the CMEA countries included, was rather modest. In 1986, machine-building products accounted for only 15.0 per cent of total Soviet export, with socialist countries accounting for as much as 17.1 per cent of Soviet export of machines and equipment. The problem is rooted not only in an underdeveloped export potential of the Soviet manufacturing industries, mechanical engineering included, but in a sluggish use of broad scientific and technological cooperation and co-production in external economic relations with foreign partners, CMEA countries included.

The 27th Congress of the CPSU emphatically renounced the following of beaten paths in foreign economic cooperation. It pointed out to the necessity of re-orienting the export of raw materials and boosting the share of manufacturing industries in Soviet export. Sectoral ministries, associations and enterprises will have to strengthen the country's export potential, upgrade the quality and competitiveness of Soviet machines and equipment and other finished products. Soviet imports should be restructured, too: import of foodstuffs will be cut and import of machines and equipment expanded. The policy of import should largely facilitate scientific and technological advance.

The 27th Congress of the CPSU adopted the country's course to accelerated development, which boils down to broad intensification of production based on scientific and technological progress, reorganization of the economy, effective economic management, organisation and stimulation of labour. External economic ties will facilitate assimilation of up-to-date foreign experience and will contribute to higher production efficiency through a more extensive use of the international division of labour, thus making up for the resolving of the country's strategic tasks.

Table 2

The Structure of Soviet Export and Import Commodities

Type of commodity	1960		1965		1970		1975		1980		1985		1986	
	export	import	export	import	export	import	export	import	export	import	export	import	export	import
Total	100	100	100	100	100	100	100	100	100	100	100	100	100	100
Machines, equipment and vehicles	20.5	29.8	20.0	33.4	21.5	35.5	18.7	33.9	15.8	33.9	13.9	37.1	15.0	40.7
Fuel and electric power	16.2	4.2	17.2	2.5	15.6	2.0	31.4	4.0	46.9	3.0	52.7	5.3	47.3	4.6
Ores and concentrates, metals and metal products	20.4	16.8	21.6	9.8	19.6	9.6	14.3	11.5	8.8	10.8	7.5	8.3	8.4	8.3
Chemical products, fertilizers and rubber	3.5	6.0	3.6	6.2	3.5	5.7	3.5	4.7	3.3	5.3	3.9	5.0	3.5	5.1
Raw materials for textiles and semi-finished products	6.5	6.5	5.2	4.4	3.4	4.8	2.9	2.4	1.9	2.2	1.3	1.7	1.4	1.3
Food products and raw materials for their production	13.1	12.1	8.4	20.2	8.4	15.8	4.8	23.0	1.9	24.2	1.5	21.1	1.6	17.1
Industrial consumer goods	2.8	17.2	2.4	14.2	2.7	18.3	3.1	13.0	2.5	12.1	2.0	12.6	2.4	13.4

Cited from The Soviet Foreign Trade statistical yearbooks for respective years.

of producers, have urged the state to reshape the system of management of foreign economic relations, have vested producers with higher responsibility for end results of their foreign economic activity.

The Decision on Measures to Streamline the Management of Foreign Economic Relations, adopted by the CPSU Central Committee and the Council of Ministers of the USSR, provides for enhanced responsibility for and involvement of sectoral ministries, associations and enterprises in enhanced production of high quality exported goods and rational use of imported resources.

More than 20 ministries and government departments and about 80 major manufacturing associations, enterprises and organizations were granted the right of direct external transactions. These ministries incorporate now self-supporting associations whose primary aim is to assist ministries in their foreign trade. Science and industry pools and production associations have foreign trade firms of their own, too. Republican foreign trade associations are in the making under the Councils of Ministers of the Union Republics. These associations will be in charge of operating on external markets with the commodities of the republican make.

The above measures undermine in no way the government monopoly of foreign trade, since the central state bodies exercise general guidance of foreign trade activity, its planning and the utilization of hard currency funds.

In the present-day situation, the Chamber of Commerce and Industry of the USSR is playing ever greater role. The Chamber and its republican and regional agencies are responsible for assisting local producers in the selection of foreign partners, for consulting and advising in the promotion of their commodities.

Associations of business cooperation with foreign countries are to be shortly set up under the Chamber of Commerce and Industry of the USSR. These associations, whose funds will be formed up of the contributions by their Soviet partners, will serve to facilitate new forms of economic cooperation with foreign partners — cooperation in production, joint ventures, scientific and technological cooperation — in the spheres of management, sales, advertising, services, etc.

Along with the emergence and development of new elements of organizational infrastructure in external economic relations the process of restructuring the steering foreign economic bodies is now under way.

Thus, in January 1988, the merger of the two foreign trade bodies — the Ministry of Foreign Trade and the USSR State Committee for Foreign Economic Relations — culminated in the establishment of the USSR Ministry for Foreign Economic Relations. The foreign trade associations under the said ministry will be responsible for trade in raw materials, foodstuffs, certain types of machinery and equipment and other commodities of state importance. They will be also dealing with the questions of construction of projects abroad, with the technical assistance from Soviet organizations and shipment of related complete equipment as well as with the questions of construction of projects on Soviet territory with foreign assistance.

To ensure general guidance of the whole foreign economic relations complex, a State Foreign Economic Commission under the USSR Council of Ministers was established with a primary aim to elaborate organizational, legal and economic measures aimed at the most efficient use of the external economic factor in the accelerated development of the country's economy and at consolidating the Soviet standing in the world economy: This commission is responsible for mapping out and implementing the country's external economic strategy, drawing up state plans of Soviet external economic relations and supervising their fulfilment, for coordinating the activity of Soviet ministries, government departments and organizations in foreign markets.

The commission's major function is to provide for the development of the Soviet export base, to assist producers in obtaining information, personnel policy and other aspects of adjusting the new mechanism of foreign economic activity.

To make foreign trade more effective and to expand export, it is necessary not only to reshape its structure, but to improve planning and introduce economic levers catering to the interests of Soviet exporters. Until recently, premium prices for exported goods were used as an incentive but proved to be inadequate. Premiums were sometimes insufficient to

At the present stage, when specific trends of the streamlining of external economic relations are being shaped, it is important to have a clear view of the essence of their effect. First, they are responsible for importing products which are less expensive than the domestic ones and for a magnified production potential through expanded international specialization and cooperation which are vital for mechanical engineering, where development and introduction of new products are rather costly.

Imported articles, and above all equipment, have higher consumer properties in comparison with domestic analogues. The former are more efficient and economical, which favourably affects the situation in the industries of their application.

Export of products involves a close scrutiny of foreign markets and technical levels of foreign products and requires enhanced quality as regards both exported products and related industries.

To speed up scientific and technological advance, licenses of new imported technologies are bought, which contributes to achieve top international standards. Import of licenses is widely practised now by all industrialized countries. Incidentally, the cost of licenses imported by Japan, West Germany and France is two or three times more than their revenues from exported licenses. Socialist countries are also among the world's major license buyers. Hence the Soviet Union cannot neglect such a useful, though auxiliary, source of acceleration of scientific and technological advance.

Thus, on the one hand, external economic relations are becoming a catalyst in the acceleration of advance. On the other hand, acceleration, in turn, has a major impact on the development of external economic relations. Introduction of latest technologies leads to improved quality of Soviet goods and consequently to their higher competitiveness on international markets. However, the process calls for further refining of foreign trade schemes. "In setting the aim of making active use of foreign economic contacts to speed up our development we have in mind a step-by-step restructuring of foreign trade, of making our exports and imports more effective"[1], as was noted at the 27th Party Congress.

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[1] Materials of the 27th CPSU Congress, Moscow 1986, p. 34.

2. Restructuring the Management of Soviet Foreign Economic Relations

The fundamental principle of Soviet external economic relations is the government monopoly of foreign trade introduced in 1918 on Lenin's initiative. The monopoly of foreign trade establishes, first of all, a general principle under which foreign trade activity is the prerogative of the state, which determines the choice of foreign trade operators as well as the scope of transactions, i.e. supervises the planning of foreign trade. However specific organizational forms of practical implementation of the monopoly of foreign trade cannot stay invariable. At each given period they should correspond to the level of economic development, to the structure and trends existing in foreign economic relations.

Under present conditions, the task of refining management and planning of foreign economic relations has come to the fore. General tendencies of development of international economic relations also contribute to an exceptional significance of the problem. The range of commodities manufactured and exchanged on world markets is growing, they are becoming more sophisticated, their obsolescence is speeding up. Hence changes in the structure of production, trade and consumption become imminent. This situation commands a more close interaction between production and market, between producers and users of end results, and a broader involvement of industry, especially of machine building, in foreign trade activity.

Agreements on industrial specialization and cooperation in production, which are gaining ground in the field of cooperation with socialist countries, largely influence trade in machinery and equipment. Agreements on cooperation are clearly an efficient instrument of establishing direct contacts among producers and facilitating the coordination of specific parameters of products, industrial technologies, etc. Direct links among producers in various countries is also needed for selling and buying of licenses and know-how.

The revamping of the whole complex of external economic relations is part and parcel of the process of improvement in the Soviet economic mechanism.

Economic restructuring, radical changes in managerial methods and planning, making for greater autonomy ners' commercial networks to promote their products in foreign markets.

Broad prospects are also before the cooperation in the field of licenses and know-how, engineering, consultative services, leasing transactions, etc. Compensational projects retain their importance both in the case of superprojects and medium and small firms involvement.

In each specific case Soviet producers and foreign trade organizations face the task of finding an optimal model of cooperation capable of yielding the highest results and considering the foreign partner's interests. At present, Soviet industrial enterprises and associations have a rather modest record of cooperation with foreign firms. The task of learning in this sphere, especially in internationally accepted specifics of marketing, is in store for them.

No doubt, the expansion of foreign economic relations calls for an improvement in the instruments of the country's trade policy.

An improved system of customs tariffs and non-tariff regulation of imports, in expert views, also contributes to invigorated foreign economic relations. This could facilitate the USSR's joining GATT, the interest in the membership of which was stressed on more than one occasion by the Soviet side. The USSR constructively considers possibilities of cooperation with integrated economic groupings of industrialized and developing countries on all continents.

The implementation of the concept of international economic security proposed by the Soviet Union to the UN, could also be a guarantor of a successful development of foreign economic relations. The crux of the concept provides for the creation of conditions to maximize the use by all countries of the benefits of the international division of labour and minimize the losses incurred by instability and uncertainty of external markets.

"We hold that in the modern world, active development of economic, scientific and technical ties and participation in the international division of labour are vitally necessary. We consider this an important means of maintaining and strengthening peaceful, good-neighbourly relations among states, and of rendering mutual

assistance in resolving national economic problems", as was noted at the 27th Congress of the CPSU)[1] . .

Let us now pass over to a more detailed view of the opportunities and forms of the USSR's foreign economic relations with various groups of countries.

3. Deepening of the Cooperation between the USSR and Socialist Countries

The USSR's main trade partners among socialist countries are the GDR, Czechoslovakia, Bulgaria, Poland, Hungary and Romania. The 1970s and the early 1980s saw a considerable growth of trade between the USSR and Cuba, Vietnam and Mongolia. Soviet-Yugoslavian trade has also gained in magnitude. Positive shifts are under-way in trade with China. The trade turnover between these two countries in 1986 exceeded the level of 1984 1.9 times and the level of 1980 almost six-fold. Trade with North Korea is growing too.

Economic cooperation between socialist countries has been developing within the framework of the socialist economic integration of the CMEA countries.

Set up in 1949, the Council for Mutual Economic Assistance assumed the task of coordinating the national economic development plans from the mid-1950s.

The adoption in 1971 of the Comprehensive Programme for the Further Deepening and Streamlining of Cooperation and Promotion of Socialist Economic Integration among the CMEA Member-Countries was an important stage in the economic cooperation of socialist countries. The development of socialist integration creates favourable opportunities for the most efficient utilization of the countries' resources, contributes to the development of their industrial, scientific and technological cooperation, specialization and coordination, facilitates the construction in all member-countries of industrial enterprises of optimal capacities, pools the efforts of scientists in resolving the most crucial tasks of science and technology.

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[1] Materials of the 27th CPSU Congress, Moscow 1986, p. 255 (in Russian).

make up for the enterprise's costs incurred by the modernization of technology for the needs of export.

At present, to make a right assessment of export and import activity of associations, enterprises and organizations, actual foreign trade contractual prices will be applied with due conversion into roubles according to special coefficients. This measure is to accentuate export producers' enhanced awareness of specific changes in the conditions of sales of their products in foreign markets, provide for higher efficiency of export, the technical level and better quality of exported products in compliance with the requirements of the world market and reduce irrational imports.

Those producers who were not granted the right to transact directly in international markets have also found themselves in new conditions. Previously, when selling their produce to foreign trade organizations on a wholesale basis, export producers had practically no say in external sales. Now their relationship with foreign trades associations of ministries and government departments is based on contracts.

To promote external economic activity, hard currency deduction funds are established at associations and enterprises with a primary aim to facilitate buying abroad machines, equipment and materials to meet the needs of retooling and reconstruction.

The Decision of the Central Committee of the CPSU and the Council of Ministers of the USSR on Additional Measures to Improve Foreign Economic Activity Under New Economic Conditions, adopted in September 1987, granted enterprises broader rights in utilising hard currency funds. To boost socialist enterprise, Soviet producers are entitled to pool their funds in the implementation of joint projects, to transfer them to other producers on mutually beneficial conditions, and to invest them abroad. The Bank for Foreign Economic Affairs of the USSR was given the right to offer enterprises and organizations hard currency credits to set up and develop export production and to encourage exports.

Revamping of foreign economic activity in the Soviet Union affects not only organizational structures and economic conditions for Soviet producers to tap foreign markets. It is of major importance for the refining of the forms of foreign economic cooperation with foreign countries.

A special place in international economic relations is held by specialization and cooperation in production. Hence measures were taken to promote these forms of collaboration within the framework of the restructuring drive. Direct contacts between Soviet producers and their partners in socialist countries slated for deepening the process of specialization and cooperation, were given the main emphasis.

Joint property enterprises have gained considerable ground in the practice of international economic relations. Several socialist countries of Europe and China have already set up joint ventures with the participation of foreign capital, involving the capitals of some Western firms. The record of joint ventures graphically reflects the objective process of internationalization in economic life worldwide.

The Soviet Union has a certain amount of experience in joint venture business. Today, there are more than 100 mixed companies with Soviet participation, most of them in capitalist countries, which engage in trade, technical servicing and engineering.

The decisions, adopted by the Soviet Government in 1987, opened up opportunities for establishing joint ventures on Soviet territory, which testifies to the USSR's striving for deeper international economic cooperation. The essence of joint ventures boils down to long-term and close business relationships. This form of cooperation provides not only for coordination of partners' efforts but suggests a united economic entity whose participants are equally interested in its successful operation. It serves to organize a stable and large-scale production of modern technology, machines and equipment and other products to be sold both on domestic and foreign markets.

Joint ventures are capable of expanding business cooperation with foreign organizations and firms in hi-tech fields both drawing on the latest research and technology potential abroad and promoting Soviet breakthroughs in science and technology in foreign markets. They are very prompt in introducing new technologies on the basis of domestic research and development and efficient in the utilization of their part-

Most of the socialist countries have succeeded in establishing such an industrial structure which embraces all the major branches of the processing industry. It is unthinkable to turn out modern high quality products at minimal production costs without specialization and cooperation in production among the major sectors of industry of the CMEA countries, especially in the sphere of mechanical engineering.

The interstate specialization and cooperation in production are developing systematically on the basis of bilateral and multilateral agreements. Such integration organizations of socialist countries as *Intermetall*, *Interkhim*, *Interatomenergo*, *Interatominstrument*, *Interelektro*, *Agromash*, *Intertekstilmash* and others are already operating.

An agreement on production of the *Ryad* computers may serve as an example of multilateral specialization. More than 70 enterprises, thousands of engineers, technicians and workers from the Soviet Union, Poland, Romania and Czechoslovakia joined their efforts in the fulfilment of a single plan on a specialized production of these computers.

Though specialization has gained certain ground in the production schemes of socialist countries, its developed forms have not yet become the backbone of their economic relations. Mechanical engineering articles, produced under common schemes in the CMEA countries, account for only 8 per cent of the total trade turnover. Specialization and cooperation in production are so far inadequately oriented towards hi-tech industries.

This is exactly why in promoting the socialist economic integration the CMEA countries jointly tackle the tasks of intensifying their economies and advancing scientific and technological progress. A special place in this respect is held by the Comprehensive Programme for Scientific and Technological Progress of the CMEA Member-Countries up to the year 2000, adopted in December 1985. The Programme outlines the priority lines in scientific research — electronics, comprehensive automation, development of composite materials, atomic energy and biotechnology. The Programme provides for the establishment of chief coordinating organizations and joint scientific teams responsible for

the fulfilment of assignments on major problems of science. The prime objective of the Comprehensive Programme is to create in the CMEA countries updated technologies and to bring about a major breakthrough in achieving the best international technological and quality standards.

The implementation of these tasks calls for deeper industrial cooperation among the CMEA countries. As was noted at the 27th Party Congress, the joint policy elaborated by the CMEA countries "presupposes a switchover in economic relations among them from primarily trade relations to deeper specialization and cooperation in production, above all, in machine-building, and to the establishment of joint associations and research-and-production complexes[1] ..

The Decisions of the CPSU Central Committee and the USSR Council of Ministers aimed at the streamlining of economic, scientific and technological cooperation with socialist countries have granted Soviet associations and enterprises broad rights in the development of direct contacts with their counterparts in the CMEA countries. For instance, they are free to choose partners, determine specific directions of cooperation, sign economic contracts and contracts for shipments of products and offer services relevant to cooperation, coordinate prices, etc. They are given the right not only to effect deliveries of their cooperated products but to exchange samples of products, instruments, tools, etc., to render necessary services, to engage in the two-way leasing of instruments, machines and equipment, to do joint scientific research, R&D and experimental work, to set up joint teams of scientists and experts, etc. Direct cooperation contacts have as their primary objective assimilation and introduction of the latest plant and technology.

The enterprises participating in direct business are allowed to keep receipts in transferable roubles from cooperative transactions. They are also entitled to borrow transferable roubles and national currencies of the socialist community countries to do research and develop efficient technologies related to cooperation.

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[1] Materials of the 27th CPSU Congress, Moscow 1986, p. 34

Soviet associations, enterprises and organizations together with their partners from socialist countries should coordinate their plans, nomenclature and volumes of export and import shipments under cooperation agreements. The results of this work in their total are incorporated into the state plans of socio-economic development by Soviet ministries and government departments and Councils of Ministers of the Union Republics.

Customs regulations for shipment of goods in the framework of direct business contacts are soft and permits for free exports and imports are granted simultaneously with the signing of the agreements on direct business. The procedure of business trips has been also simplified. In a word, direct business relations are expected to ensure a qualitatively new level of economic integration.

In the autumn of 1986, intergovernmental agreements on direct economic relations were signed between the Soviet Union, on the one hand, and Bulgaria, Hungary, Poland, the GDR and Czechoslovakia, on the other. The agreements provide for setting up a network of enterprises, international associations and organizations. Thus, an international organizational and legal foundation has been laid for the deepening of economic interaction of the countries of the socialist comminuty.

No matter how short is the record of the new forms of cooperation, 670 agreements on direct links between Soviet and other CMEA producers had been signed by the end of 1987. For one, some 300 direct contacts had been established between Soviet enterprises and organizations and their Polish counterparts.

Joint ventures established on Soviet territory and elsewhere in socialist countries on a common socialist property basis are another new form of cooperation between the Soviet Union and fraternal socialist countries. Joint ventures may be set up both on a bilateral and multilateral basis. Several joint venture agreements have been signed with Hungary and Poland. Besides that international associations and organizations set up on the principles of pereservation of national property will be given further impetus.

By early 1988, 14 international associations and organizations, embracing producers from various socialist countries, have been started on Soviet territory. Their task is to coordinate the socialist countries' activity in several branches.

There are prospects and other opportunities for the further development of cooperation among the countries of the socialist community. One of them may involve direct consumer commodities exchange between domestic trade organizations, including border trade exchange. This would clearly facilitate bigger sales of consumer goods.

Promotion of socialist cooperation, development of new forms of economic relations are to boost the socialist comminuty countries' economic efficiency and make them active participants in world economic relations..

4. Problems of the USSR's Economic Relations with Capitalist Countries

The objective tendencies in the development of the international division of labour require expanded economic relations between the USSR and the capitalist countries. The Soviet Union, like the capitalist countries of the West, is rated as an industrialized country which creates prerequisites for more sophisticated forms of the division of labour and economic relations between them. Undoubtedly, the interest of some capitalist countries and especially of certain firms in trade with the Soviet Union is caused by the intensification of economic rivalry in the world market, especially as regards science-intensive exports.

Over 1960—1986, Western companies stepped up deliveries of machines and equipment, vehicles, foodstuffs and consumer goods to the USSR. Ranking top among the Soviet Union's trade partners are the FRG, Finland, Japan, Italy, France, Great Britain and Austria.

A series of large-scale contracts was concluded in the early 1980s. The most prominent among them is the Gas-Tubes agreement, signed in November 1981 between the Soviet organizations and West German exporters. Under the agreement, in exchange for the deliveries of West German gas tubes, compressors and by the Bhilai project, gained in scope in the consequent years, and two more metallurgical works — in Bokaro and Vishakhapatnam — were added to India's industrial potential.

Among other long-term projects there are also the Heluan metallurgical plant in Egypt and a hydropower complex on the Euphrates in Syria. It took 10 to 15 years to build those big projects. Thus, the construction of the Aswan dam started in 1959 and lasted till 1983.

Compensatory projects require still more time. For example, the agreement between the USSR and Guinea on the construction of a bauxite extracting complex in that country and shipments of its products to the USSR will have to be completed by the 2005.

There are long-term agreements with other developing countries, too. They serve as a means of promoting a well-balanced development of national economies which is now sought for by most newly-independent states. Such kind of cooperation is distinguished by a high degree of stability in the division of labour which suits the interest of partners.

The Soviet Union is a traditional buyer of the developing countries' staples — coffee, cocoa, tea, crude rubber, non-ferrous metals, timber, phosphates, rice, cotton, citrus fruit, vegetable oils and bananas — which favorably affects the world market demand of those commodities.

The Soviet Union's economic cooperation with the developing countries could also continue through specialization and co-production in certain sectors of industry with due regard for the interests of contracting parties.

This concerns, above all, the countries which have gained a certain experience in their industrial progress. Virtually all developing countries, big states like India being no exception, can only build modern industrial facilities of their own through concerted efforts in their cooperation with other countries. The Soviet Union is prepared to conclude co-production agreements with developing countries, effecting shipments of its industrial goods and importing certain types of goods, units and items. For instance, co-production agreement is under way between Soviet and Indian machine-builders from Ranchi, Durgapur and Hardwar where mechanical-engineering facilities were built with Soviet assistance. Direct contacts between Soviet and Indian producers open up new prospects for cooperation.

As is known, employment problem is one of the most serious ones confronted by developing countries. Most of them are interested in the maximum deployment of jobs in industry. On the other hand, the Soviet Union experiences an acute shortage of manpower in some, especially labour-intensive, sectors. This is exactly why, in concluding cooperation agreements with developing countries, the Soviet Union takes into consideration possibilities of creating in those countries labour-intensive projects whose produce is subsequently exported to the USSR.

Developing countries' rich mineral resources, on the one hand, and lack of investment funds, on the other hand, create opportunities for furthering Soviet cooperation in the development of natural wealth of those countries. Compensatory projects may find wider application in developing countries, with equipment and construction costs being covered by their exports of commodities.

Mixed-capital and joint companies involving Soviet and developing countries' partners, both from the state and private sectors, are also important for the further growth of economic relations with that group of countries. These companies, most of them from the non-material sphere (primarily domestic trade), are to go deeper into production and pass from individual functions — technical survey and maintenance, participation in the construction of projects, forwarding services, etc. — to full-scale production schemes.

In the conditions of the growing influence of the scientific and technological revolution, cooperation in the field of science and technology (including cooperation on a commercial basis) is becoming increasingly essential. The bulk of services in science and technology from advanced countries is offered by their consulting firms. The Soviet Union has an extensive network of scientific, R&D institutions which would readily take up orders from developing countries. Industrial and construction designing by Soviet organizations could both largely promote Soviet exports of machinery and forts with Soviet partners and using both their own achievements and the powerful scientific and technological potencial of the Soviet Union. Thus, advancing their cooperation, the partners would approach the stage of creating large associations with the participation of Soviet and foreign firms and organizations both in the Soviet Union and elsewhere.

5. Present Forms of Economic Relations between the Soviet Union and Developing Countries

Cooperation with developing countries accounts for a considerable share in the Soviet Union's external economic relations. It is common knowledge that the newly-independent states have rather weak economies which is to a great extent explained by their colonial legacy and hence they can hardly be ranking among the world's industrial and trade leaders. At present, they account for only 15 % of the world's total industrial output. This is against the background of the fact that they have 70 per cent of the world's population and almost half of its territory which is frequently rich in natural resources and huge mineral deposits.

The volume of the USSR's trade with this group of countries amounted to 14.4 billion roubles in 1986, which constituted an 11 per cent share in the Soviet foreign trade turnover.

The number of trade partners from among developing states is getting bigger. In the 1970s, the USSR established trade relations with Angola, Bangladesh, Benin, Zambia, Mozambique, Panama, the Philippines and in the early 1980s — with Nicaragua.

Soviet-Indian trade is traditionally voluminous, India being the USSR's major partner in the Third World. That country's share in the Soviet foreign trade turnover stood at 1.5 per cent in 1986. The Soviet Union maintains long-term and large-scale trade relations with Afghanistan, Algeria, Argentina, Egypt, Iraq, Libya, Syria and some other countries.

A dependable base for the development of trade between the USSR and developing countries is created by intergovernmental trade agreements which have been signed with the majority of those countries. Practically all these agreements provide for mutual granting of the status of most favoured nation treatment. The Third World's export to the USSR is not hindered by any customs taxes and other artificial barriers, which, of course, beneficially affects the growth of their external trade. The growing export of industrial products, especially of machinery and equipment, constitutes a stable tendency in Soviet economic relations with developing countries.

Of major importance for the young states are the Soviet deliveries of complete plant for the projects built with Soviet assistance. Complete items account for almost a half of exported Soviet machinery to those states.

It is noteworthy in this connection that the cooperation of the Soviet Union with the newly-independent countries is marked by a harmonious blending of foreign trade transactions with industrial and technical assistance granted by the USSR.

Soviet assistance in the development of industry is focused on the construction of modern projects based on the latest technologies. For some countries — for instance, India, Algeria, Nigeria — these are large metallurgical, machine-building, petrochemical and other plants. For others — like Guinea, North Yemen, Mali, Nepal, Uganda — they include various facilities to process local agricultural and mineral raw materials and mining enterprises. Both types of enterprises correspond to the developing countries' needs and are in line with the tasks of their industrialization.

Cooperation in the field of capital construction and industrial production makes for sustainable ties between the USSR and development countries as compared with traditional trade relations and require from partners long-term efforts and business-like interaction.

This is exemplified by the Bhilai metallurgical works built in India with Soviet assistance. Its construction was started in 1955, but later cooperation was resumed to enhance its output and update the technology. More to that, the two countries' cooperation, initiated production and the services the banking system also needs a restructuring, that is, the credit institutions should change over from administrative to economic methods of management, the business money turnover should be separated from that of the state, the branch-oriented specialization of banks should be increased, and profit and loss accounting introduced into the credit system.

Separation of the business turnover from the banking one means a strict demarcation of funds directed to state objectives out of the state budget from the funds of independent self-supporting organizations — enterprises, associations, institutions and specialized banks. Such restructuring reinforces the principle of commercial, profit and loss performance in the operation of both economic and state organizations. The newly-formed specialized banks render complex credit and settlement services to enterprises and associations. One banking institution concentrates short-term and long-term crediting of clients, their settlement service, which fact leads to a generalized, integral analysis of the financial-economic activities of organizations in the process of using credit. This results in close relations between the creditor and the borrower, based on mutually beneficial co-operation. The activities of the credit institutions themselves are based on the principle of economic self-support, self-recoupment and self-financing. The banking institutions, as a rule, worked at a great profit, their revenue significantly exceeding their spending. However, the strictly centralized redistribution of funds left at the disposal of a bank only a small share of the revenue. In the new conditions a strictly defined share of the profit of the banks is remitted to the state budget. The funds remaining at the disposal of the banks are sufficient not only for meeting the expenses and payment for work but also for material incentives, social and cultural needs, capital investments in the production facilities.

This is the essence of the restructuring of the banking system. Now a few words about the concrete aspects of the activities of the credit system of the USSR, which has been functioning since January 1, 1988.

The banks of the USSR can and must exert a more active influence on the country's socio-economic development and reinforcement of the links of the credit mechanism to the end results of extended reproduction. For this purpose the functioning banks have been reorganized and new specialized banks set up in the country. The reformed credit system now incorporates: the State Bank of the USSR (Gosbank SSSR), the Bank for Foreign Economic Affairs of the USSR (Vneshekonombank SSSR),. the Bank for Industry and Construction of the USSR (Promstroibank SSSR), the Agroindustrial Bank of the USSR (Agroprombank SSSR), the Bank for Housing, Communal Economy and Social Development of the USSR (Zhilsotsbank SSSR), the Bank for Labour Savings and Credit to the Public of the USSR (Sberbank SSSR).

The directions and spheres of the activities of the banks are as follows:

Gosbank SSSR

exercises:

— centralized planned management of the country's money and credit system and the state's uniform credit policy;

— co-ordination of the activities of the USSR banks and organization of settlements between them;

secures:

— organization and strengthening of money circulation;

— cash fulfilment of the state budget;

takes part in drawing up the country's summary currency plan.

The conduct of a progressive credit policy, the enhancement of the efficiency of the entire system of crediting the principal activity, financing and crediting of capital investments, as well as the implementation of settlements are the duties of:

Promstroibank SSSR — in industry, construction, transport and communications, in the system of the USSR State Committee for Supplies (Gossnab SSSR);

Agroprombank SSSR — in the country's agro-industrial complex and in the consumers' co-operative system;

Zhilsotsbank SSSR — in the housing and communal economy, the state trade, the everyday services, socio-cultural development, the economy subordinated to the banks and other organizations, as well as from individuals and placed sums in accounts and deposits of other Soviet and foreign banks;

— performed operations with foreign currency and payment documents in foreign currency on Soviet territory.

The Bank for Foreign Trade of the USSR had a number of offices to carry out operations on Soviet territory. In areas where no such offices existed settlements and credit operations were effected by institutions of the State Bank of the USSR.

In accordance with the plan of restructuring the credit system the Bank for Foreign Trade of the USSR was renamed the Bank for Foreign Economic Affairs of the USSR (Vneshekonombank SSSR) as of January 1, 1988. The sphere of its operations has changed accordingly. A number of functions of catering for Soviet partners in foreign economic relations are performed by the above-listed specialized banks, which have undertaken a share of the settlement operations, as well as part of the functions of crediting to organizations entitled to operate on foreign markets. The role of Vneshekonombank SSSR, however, is very significant.

This Bank performs the following functions:

— organization of settlements in export-import and non-commercial operations;

— crediting of economic organizations that maintain foreign economic relations;

— control over the fulfilment of the country's summary foreign currency plan;

— rational and economical use of foreign currency resources;

— conduct of operations on the international foreign currency and credit markets, as well as operations involving available foreign currency and foreign currency securities. In addition, Vneshekonombank SSSR is obliged to facilitate the development of new forms of foreign economic relations — the establishment of joint ventures, international associations and organizations, the development of direct co-operation.

Outside Soviet territory Soviet and foreign clients involved in the foreign economic relations of the USSR are served by the Soviet banks abroad — a number of commercial banks in which Vneshekonombank SSSR is a shareholder: Mosnarbank in Britain and its subsidiaries in Lebanon and Singapore, the banks in France, Austria, Luxembourg and the FRG. Participants in Soviet foreign economic relations with the CMEA member countries are rendered services by two international banks of the socialist community — the International Bank for Economic Co-operation (IBEC) and the International Investment Bank (IIB).

IBEC handles multilateral settlements in transferable roubles; gives credit for foreign trade and other operations of the member countries; attracts and deposits free sums in transferable roubles; attracts other assets in the form of convertible currency, etc., and also conducts operations with them.

In contrast to IBEC specializing in short-term credits to borrowers, IIB grants intermediate-term (up to 5 years) and long-term (up to 15 years) credits mostly for modernizing and expanding on-going production, as well as for building new projects. IIB may give credits to banks, economic organizations and enterprises of its member countries authorized by the relevant country to obtain credit, international organizations and enterprises of the member countries of the Bank pursuing economic activity, as well as banks and economic organizations of other countries in accordance with the procedure established by the Bank Council.

Such are, in general outline, the credit system of the USSR and the revisions in its functions in effect since January 1, 1988. Now for a more detailed description of credit and settlement services in the foreign economic relations of the USSR. It is naturally presumed that some elements of the procedure under review may be changed along with restructuring the credit system of the USSR.

Let us examine, in the first place, the system of services to the partners in Soviet foreign economic relations. It consists of the system of internal settlements on Soviet territory and the system of external settlements in accordance with the existing international practice

The procedural principles ot the system of internal settlements have been laid down by the State Bank of the USSR and are uniform for all the banks, enterprises, local Soviets of People's Deputies, as well as in the sphere of co-operative activity and self-employment.

Sberbank SSSR secures the organization of saving deposits in the country, clearing settlements and cash services to the public and, when necessary, to institutions, and also dissemination and repayment of state loan bonds, crediting of the consumer demand of citizens.

The banking system also incorporates **Vneshekonombank SSSR,** whose activities will be described further on.

To pursue a uniform policy in the field of money circulation, credit and settlements and to accomplish the tasks set on a uniform procedural principle, the Council of Banks of the USSR has been formed as a co-ordinating organ which is to examine the projects and progress in the fulfilment of summary credit plans, as well as the problems of strengthening money circulation and improving credit and settlement relations in the national economy.

The new organizational structure of the credit system has naturally entailed a restructuring of the procedure for credit and settlement services to enterprises and associations.

Whereas before the restructuring of the banking system credit relations were regulated by instructions and were largely administrative, now they are increasingly assuming an economic dimension. Thus, all banking institutions, beginning from the regional office, have been placed on the lines of cost accounting, self-financing and self-recoupment. This measure brings the interests of self-supporting enterprises closer to those of banking institutions. The methods of credit operations have also been revised. Now all questions connected with the organization of credit relations are agreed between the enterprise and the banking institution and are formulated in a credit agreement stipulating the mutual obligations and economic responsibility of the two parties. The credit system has been simplified and its efficiency enhanced. The range of enterprises to which the banks of the USSR will pay interest on the funds, temporarily attracted as credit resources, is being widened. Payment has been introduced for credit resources, attracted from other banks.

Differentiation of rates of interest on credits has been increased, depending on the purposes of their use, as well as the accuracy of repayment of credit. Managers of banking institutions have been empowered to change the rates of interest, depending on the results of the work of the enterprise (association) given credit. In case an enterprise fails to fulfil its obligations to its partners, the banking institution may declare this enterprise insolvent and transfer it to a special credit and settlement regime.

Now that the functioning of the credit system has been presented in general outline, let us discuss in detail the banks catering for the foreign economic relations of the USSR.

During the period of its activities the Bank for Foreign Trade of the USSR gained the reputation of a dependable business partner securing benefits in its operations to its partners and itself. The Bank had a good name within the business circles and a ramified network of correspondents. In 1986, the Bank for Foreign Trade of the USSR had more than 1800 foreign and international correspondents. These were, as a rule, the biggest international and national banks, as well as first-class commercial banks with a stable financial position.

In accordance with its Statute the Bank for Foreign Trade of the USSR performed the following functions:

— granted credits in Soviet and foreign currency to Soviet enterprises, associations and organizations for operations involved in the foreign economic relations of the USSR;

— carried out banking operations of both a commercial and non-commercial character in international settlements of enterprises and organizations, as well as individuals;

— obtained from and granted to foreign banks and organizations credits and loans, and also provided security of credits and loans in the form of bills of exchange, bonds, etc.;

— issued vouchers, guarantees, avals of bills of exchange on obligations of Soviet and foreign organizations;

— accepted sums in roubles and foreign currency for entry to accounts and deposits from Soviet and foreign equipment and become a substantial item of Soviet export. Establishment of special and consulting firms to render assistance to developing countries in production management is also possible.

Further development of cooperation between the Soviet Union and newly-independent states is one of the key areas of Soviet external economic relations, which calls for a remodelled structure of trade turnover, more efficient export and import, updated forms of participation in the international division of labour. The success of the Soviet strategy aimed at the development of trade and economic collaboration with developing countries depends to a great extent on the developing countries' involvement in the cooperation process, on rich opportunities of joint decision of many tasks facing the partners, on their adherence to the principles of mutual benefit, on their striving for the promotion and democratization of international economic relations.

THE BANKING SYSTEM OF THE USSR. THE FINANCING AND CREDITING OF FOREIGN ECONOMIC RELATIONS

Until January 1, 1988 the credit system of the USSR incorporated the State Bank of the USSR (Gosbank SSSR) with its subordinate State Labour Savings Banks of the USSR (Gostrudsberkassy SSSR), the USSR Bank for Financing Capital Investments (Stroibank SSSR), and the Bank for Foreign Trade of the USSR (Vneshtorgbank SSSR). The State Bank of the USSR carried on emission operations, was the country's financial settlements centre, effected short-term crediting of the national economy (with the exception of building organizations), long-term crediting and financing of agriculture, and a number of other functions. The system of savings banks provided settlement services and preserved the deposits of the public. The Bank for Financing Capital Investments provided financing and long-term credits to the national economy (except the branches served by the State Bank of the USSR), and short-term credits to building organizations. The Bank for Foreign Trade of the USSR provided services to the entire complex of foreign economic relations of the USSR.

The banking system functioned for a few decades and fulfilled its duties. The credit system as a whole conformed to the economic mechanism of the Soviet Union. However, the growth of production, both qualitative and quantitative, demanded a radical restructuring of economic management.

It was started with the production stage of the state enterprise (association). In the new conditions of economic management economic initiative is encouraged in every way. Distribution of profit depends on the end results of the activities of enterprises and the level of income of their personnel. The system of material supply of enterprises has been simplified. These reforms are changing the economic interests of economic organizations — the principal and most numerous clients of banking institutions.

To secure conformity to the economic mechanism which has taken shape within the branches of material mercial banks and specialized credit institutions of the Western countries, including inter-bank agreements on the basis of inter-governmental arrangements. At the same time, along with operations of intermediate- and long-term financing of import to the USSR, the Bank granted credits for payment for Soviet exports on terms analogous, as a rule, to the terms of credits in the relevant countries. One of the forms of participation of the Bank for Foreign Trade of the USSR in stimulating Soviet export trade in machinery and equipment was the establishment of consortia to give Eurocurrency credits for local expenditures involved in the construction abroad of large projects based on Soviet technology and know-how.

Examining crediting in Soviet foreign economic relations, let us discuss in greater detail the types of loans granted by banks to their partners:

— foreign currency loans to state enterprises and associations for the development of their export facilities;

— loans to foreign trade organizations for export and import operations;

— credit and settlement services to foreign trade firms set up by enterprises and organizations which were granted the right of direct access to a foreign market. It is significant that many such firms have no status of a legal person;

— credit and settlement services to joint ventures set up on Soviet territory.

The Bank for Foreign Economic Affairs of the USSR grants to Soviet associations, enterprises and organizations, which have in the main the right of direct access to a foreign market, credits in foreign currency, that is, in transferable roubles, the national currencies of a number of socialist countries, freely convertible currencies and closed currencies of the capitalist countries. These credits are given for purchasing abroad commodities not envisaged in the import plan, which are required for improving production, the quality of export or import-substituting products, as well as for developing production, scientific and technical co-operation.

Formerly, credits were granted by the Bank for Foreign Trade of the USSR for a period of up to 4 years and in sums (including interest) not surpassing the planned receipts going to the foreign currency fund of the borrowing enterprise during the use and repayment of credit. In accordance with the further expansion of foreign economic relations, as well as the restructuring of the credit system, the terms on which this type of credit is granted have been changed somewhat. Firstly, to stimulate export deliveries, Vneshekonombank SSSR has been authorized to grant foreign currency credits to associations, enterprises and organizations to initiate and develop export-oriented production for a period of up to 8 years with repayment from foreign currency earnings obtained from exported commodities and to secure current activity for a period of up to 2 years, and also to give credit against future receipts in accordance with the progress in the making of export contracts. Secondly, since January 1, 1988, the specialized banks of the USSR have been in a position to grant such credits along with Vneshekonombank SSSR.

This type of credit includes a guarantee on the part of the relevant ministry, stipulating that in case of failure of the borrowing enterprise to clear a debt within a specified period the relevant sum can be recovered by the bank from the foreign currency account of the relevant ministry.

Credits in foreign currency are given by the bank on standard commercial terms at interest in foreign currency on the unrepaired share of the debt under credit. The rate of interest is set to meet the expenses incurred in attracting resources with an addition of 0.25 per cent annual interest for using the credit of a Soviet bank. The borrowing enterprise reimburses the Bank for Foreign Economic Affairs of the USSR for the expenses incurred in using credit.

The foreign currency fund of a borrowing enterprise is the source of repayment of the principal debt and interest on credit.

Before taking a decision on granting credit the bank analyzes its terms on the basis of data on the economic effectiveness and recoupment of the venture to be supported by credit. In case the bank agrees with the relevant data and estimates, assuming that the venture will yield returns sufficient for timely clearance of future indebtedness, the creditor bank and the borrowing enterprise conclude a credit agreement. The latter regulates the procedure for giving a foreign currency loan, its use, the procedure of settlements, the terms of payment of interest and repayment of the indebtedness of the borrowing enterprise.

Without dwelling upon the technique of using and repaying credit, we shall only point out the meticulous control exercised by the bank over the movement of sums in foreign currency and the strict sanctions applied to violators of the credit agreement. These refer, in particular, to the possibility of suspending credit, exaction of debts ahead of schedule, an increase in interest on a bank loan, etc.

The biggest borrowers in the area of foreign economic relations are the all-Union economically autonomous foreign trade organizations (associations).

Thus, foreign trade associations set up for handling export and import trade in goods and services, as well as for rendering technical assistance when necessary are functioning in accordance with the state plan for the economic and social development of the USSR on the basis of autonomous profit and loss performance, have an independent balance sheet of their own and the status of a legal person. They are endowed with a minimum of their own circulating funds and take advantage mostly of borrowed funds in their operations. This main creditor in the past was the Bank for Foreign Trade of the USSR. After the reform of the credit system this function is to be performed by the Bank for Foreign Economic Affairs of the USSR and, to a certain extent, by the specialized banks of the USSR.

Let us examine the main elements of the procedure for granting loans to foreign trade organizations. Loans are given as direct, target-oriented, fixed-date and revocable credit against export and import commodities present in the USSR or abroad, services rendered, securities and other payment documents concerning export and import operations, against expenditures on foreign economic activities, as well as against the leftovers from valuables in the internal economic turnover of foreign trade organizations or their self-supporting components.

As a rule, credit is short-term, extending up to a year, depending on the terms of deals on operations

credited. Loans are given against definite material security, a guarantee, a pledge or another form of securing timely repayment of credit in accordance with Soviet legislation and international banking practice. Payment and covering documents, as well as other assets can be used as security. Credits are given at interest differentiated in relation to the types of loans. Loans are given within the credit limits approved for the relevant year.

Credit is made available from two types of accounts — special loan accounts and loan (simple) accounts. Credit from a special loan account is given against export and import commodities present in the USSR and abroad, services rendered, securities and payment documents for export and import operations, as well as other expenditures involved in foreign economic activities. Credit from loan accounts is given in a number of strictly defined cases, for instance, to offset temporary financial difficulties experienced by foreign trade organizations; for capital investments of Soviet and joint commercial firms and organizations abroad; for opening letters of credit to effect settlements with foreign firms for imported or re-exported commodities and services rendered, as well as in some other cases. Credits received from a special loan account are repaid by entering to this account, obviating settlement accounts, receipts from marketing goods and services or deriving sums by extrajudicial recovery from the settlement accounts of a foreign trade organization in the event payment falls due. Sums in repayment of a loan are transferred to the loan account from the settlement account or special loan account of a foreign trade organization.

In case of expiry of the period of using a loan and in the absence of funds to repay it, a foreign trade organization may be granted a grace, if warranted. If such deferment is denied to it, the relevant sum is entered in the overdue payments account. The rate of interest on the sums in this account is raised.

This is but one example of control exercised by Vneshekonombank SSSR. With credit extended to foreign trade organizations, the bank personnel follow their progress in fulfilling the commodity export and import plans, the profit plan, the designated use of the internal and borrowed funds, the observance of gradually transferred from the central bodies to enterprises (associations).

We shall point out only two factors raising the efficiency of foreign economic relations — differentiated foreign currency coefficients and the foreign currency funds of enterprises.

As is known, the principles of price formation in the USSR are somewhat different from those in the capitalist world. To prevent these differences from impairing the efficiency of the operation of Soviet self-supporting enterprises, differentiated foreign currency co-efficients have been introduced. The mechanism of their operation is as follows: to determine the returns in roubles an enterprise receives from marketed export commodities, the actual receipts from abroad are converted to roubles by the State Bank rate of exchange, and the resulting sum is augmented by the foreign currency co-efficient of evaluation of contract prices in Soviet roubles establised for the relevant export commodity.

Wholesale prices (with a surcharge for export quality) are applied to commodities for which no co-efficients have been established. In import operations the reverse order of conversion is applied.

The afore-mentioned foreign currency co-efficients are differentiated in relation to the types of currency (transferable roubles, convertible currencies, etc.), types of commodities and commodity groups. The co-efficients for exports have been established for the producer to make enough profit from them.

To stimulate export trade, self-financing and self-recoupment in foreign currency, foreign currency funds of enterprises and associations exporting products are formed. Foreign currency funds are intended to make an enterprise eligible to redeeming a share of its currency receipts from exports to be used for the purposes of import. The enterprise is not entitled to all of its foreign currency earnings, because part of them is concentrated in the state funds. An enterprise intending to carry out import operations at the expense of its foreign currency funds remits a rouble equivalent as payment for a sum in foreign currency to Vneshekonombank SSSR, which effects the requisite operations in settlements for imported equipment. This procedure has made export and import interdependent (the more is marketed abroad, the more can be imported), and also reduced the possibility of administrative re-distribution of foreign currency funds. Moreover, enterprises, associations and organizations, as well as ministries and government departments of the USSR may pool their foreign currency funds and place them at the disposal of other enterprises, ministries and government departments, and banks on mutually beneficial terms, including payment of interest, as well as their investment abroad with the consent of ministries and government departments of the USSR.

Foreign trade associations, organizations operating in Soviet foreign economic relations as intermediaries have property and funds of their own, but in the conduct of their activities take advantage of bank credits, so that financing is not a matter of great significance to them.

Indisputably, the demand for money may vary sharply in the course of production and circulation. To offset these fluctuations an economic organization need not keep enormous immobilized money reserves but should rather maintain good relations with a credit bank to be able to obtain the required sum at the right time and for the necessary period. Such a "reserve" is the most dependable one for a businessman.

As said in the foregoing, after the reform of the credit system the activities of Soviet banks extend to all spheres of society's life and to all types of economic activity. Therefore, in principle any credit given for an economically useful venture contributes to the development of foreign economic relations and hence to the consolidation and progress of the Soviet economy as a whole. Credit for developing foreign economic relations means, in the view of Soviet economists, granting loans in Soviet roubles and foreign currency to state and joint ventures and organizations located on Soviet terrirory. Thus, the banks of the USSR are focusing their attention only on active banking operations — investment of funds rather than on passive operations — accumulation of funds.

It will be recalled that since 1962 the Bank for Foreign Trade of the USSR had been concluding credit agreements to attract and provide on a long-term and intermediate-term basis financial resources with comassociations, ministries and government departments. The overwhelming share of the turnover of payments unconnected with settlements with the public is effected by clearing operations. The principal forms are settlements by means of payment requests, letters of credit, special accounts, payment orders, and cheques. A payment request is an instruction from the supplier to the buyer's bank for a remittance of payment for shipped commodities from the buyer's to the supplier's account. In Soviet internal settlements acceptance is, as a rule, subsequent, that is money is remitted against submitted documents, and in case of default on the part of the supplier it may be restored to the buyer's account. Settlements by payment requests prevail among the forms of settlement in the USSR. A letter of credit (or a special account which is, in effect, revolving credit) is used in the Soviet economy when the supplier needs a guarantee of payment for commodities. This form is similar to the international practice of settlements by letters of credit. Settlements by payment orders are similar to bank remittances, that is, in both cases the payer instructs the bank catering for him to remit the required sum to the recipient's account. The principles of settlements by cheques, evidently, require no explanation to the reader.

The international practice of settlements also requires no explanation in view of the high competence of the reader. It will only be noted that the Bank for Foreign Trade of the USSR (now the Bank for Foreign Economic Affairs of the USSR) effects settlements in the form of documentary encashment, "clean" encashment, documentary credit, a bank remittance, an open account, cheques and advance payments. The bill of exchange is one of the most important instruments of credit and settlements actively used by the Bank for Foreign Economic Affairs of the USSR.

Having examined the system of settlements in the foreign economic relations of the USSR, let us discuss crediting of participants in these relations. A participant implies a Soviet exporting enterprise, a Soviet importing enterprise, a foreign trade association acting as an intermediary in export-import operations. However, before starting an analysis of credit let us assess the financial activity of a participant in foreign economic relations as a whole, and the sources of money required for this activity. They are subdivided into two main types — sources of irrevocable sums (financing) and sources of revocable sums (crediting).

The financing of participants in foreign economic relations may take the form of centralized financing or self-financing.

Soviet exporting and importing enterprises which have no direct access to the foreign market are financed mainly from centralized funds.

Soviet enterprises may be provided with funds in foreign currency to import machinery and equipment, to purchase licences, as well as completing assemblies and parts. In this case, the mechanism of financing begins with forming the state foreign currency funds from the export receipts, as well as from non-commercial operations. The volume of in-coming sums and the ways of using them are reflected in the plans for foreign economic relations of the USSR. The draft plans for developing foreign economic activities are drawn up by the State Planning Committee of the USSR (Gosplan SSSR) jointly with the ministries and government departments which are in charge of foreign economic relations. Problems of foreign economic activities are chiefly settled in the following five plans: the plan of export and import of commodities; the plan for implementing economic and technical co-operation between the USSR and foreign countries; the plan for international passenger, luggage and freight transportation and provision of other services; the summary currency plan (balance of payments of the country); the co-ordinated plan of multilateral integration measures by the CMEA member countries. Enterprises and associations which have no foreign currency funds of their own for the import of goods and services request them from directing and planning bodies. On receiving permission for such financing the orders of an enterprise are included into the import plan, and the enterprise (association) is supplied with the requisite equipment, completing assemblies and parts, purchased by the relevant foreign trade association.

In view of the switchover of the Soviet economy to the lines of completely self-sustained performance, priority in organizing foreign economic relations is being planning, finance, credit and settlement discipline. By an analysis of documents, as well as by verifying the efficiency of work directly within foreign trade organizations the creditor bank uses a differential approach to these organizations, offering advantages to dependable payers and applying credit sanctions against defaulters. The former may be given additionally a number of credits to offset their temporary financial difficulties. Organizations negligent in the fulfilment of their obligations are disciplined by raising the rates of interest on credit, by denying them a deferment in payments of interest, by refusing them loans to cope with their temporary needs, and by applying other penalties.

Such is in general outline of the mechanism of crediting export and import operations of foreign trade organizations. This system has been functioning for a long time and tested by practice. But the type of credit discussed further is in the formative stage. This is credit to foreign trade firms having no status of a legal person.

As is known, more than 20 specialized ministries and government departments of the USSR, as well as about 70 largest enterprises and associations have been empowered to handle export and import operations on their own. That was intended as a measure of introducing more democratization into the maintenance of foreign economic relations. Indeed, ministries and government departments are fully capable of setting up foreign trade organizations endowed with the status of a legal person, whereas enterprises and associations cannot afford that, as a rule. That gave rise to the problem of crediting foreign trade firms having no such status.

To solve this problem a special procedure of crediting and settlement has been worked out for the benefit of the firms which are not legal persons. A foreign trade firm is accorded two accounts — a current account and a loan sub-account for export and import operations. After the restructuring of the credit system such accounts witll most probably be kept by specialized branch banks of the USSR. The following operations can be performed from a loan sub-account: the transfer of sums to the parent enterprise for commodities shipped for export; payment of overhead expenses in export and import trade; payment for imported commodities and services; the transfer of funds to the budget in settlements for export and import operations. Credit from a loan sub-account is repaid by entering receipts from foreign buyers, sums transferred by the parent enterprise as payment for delivered import commodities, as well as sums transferred from the budget in settlements involved in export and import operations. Since a foreign trade firm is not a legal person but only an intermediary in foreign commerce, all the positive and negative aspects of its activity affect the financial and economic performance of its parent enterprise.

Now let us examine a problem riveting the attention of many businessmen in the West. This concerns the prerequisites, both economic and organizational, for joint ventures on Soviet territory. As is known, there are problems tending to lessen the interest of foreign investors in joint ventures with the USSR. We shall discuss only credit and settlement services to joint ventures. It should be noted that a joint venture implies a specific partner different from Soviet state enterprises and associations. For instance, whereas a Soviet state enterprise is entitled to buy foreign currency (entry in the non-balance account), the foreign currency funds of a joint venture are kept on the foreign currency balance account and can be used whenever necessary without any prior permission.

Partners in joint ventures are entitled to short-term and long-term credit in roubles and foreign currency (foreign currency implies transferable roubles, convertible currency, etc.). Let us examine the possibilities for crediting joint ventures in their formative stage and in the process of maintaining their current operations.

Following the signing of the constituent documents of a joint venture and its registration with the Ministry of Finance of the USSR, a joint venture as a legal person is entitled to opening accounts in banks and requesting loans. As a rule, a joint venture has no facilities and equipment in full assembly to begin manufacturing. To prepare its production base a joint venture needs to make capital investments. In case its authorized capital is not sufficient for such investments, long-term bank credit is solicited.

Long-term rouble credits are granted by one of the specialized banks (Promstroibank SSSR, Agroprombank SSSR, or Zhilsotsbank SSSR), depending on the branch affiliation of the relevant joint venture. Relations between the bank and the joint venture are formalized by a credit agreement. Credit in roubles may be granted for building production facilities (within the limits of approved cost estimates for a period of up to 6 years from the date of giving the first loan) and for developing the material and technical facilities in the social sphere (within the limits of 75 per cent of the cost of construction for a period of up to 6 years from the date of completing the measures contemplated and with repayment of credit from the common revenue of the joint venture). Interest on these types of loans is paid at the rates set for the relevant branches of the Soviet national economy.

In addition to long-term rouble credits a joint venture can use long-term foreign currency credits. They are offered on commercial terms by the Bank for Foreign Economic Affairs of the USSR, or by specialized banks by agreement with it or by foreign banks and firms with its consent. It should be underscored that joint ventures operate on the principle of self-recoupment in foreign currency. From its fund in foreign currency earned by sales of its products a joint venture must meet the running expenses in foreign currency, clear its debts under loans, pay interest on them and transfer the foreign parther's share of the profit abroad.

To clear the debt in foreign currency a joint venture relies mostly on the returns from exports. In an analysis of the terms of credit and its repayment, priority is attached to marketing — the forecast demand on the world markets for the relevant commodity, which will be effective at the time of manufacture; the competitiveness of products, their quality, etc. In the event of a favourable forecast in credit analysis a joint venture may be given intermediate-term or long-term credit in foreign currency to pay for imported equipment, machinery, licences, and other goods and services required for advancing and extending the production process.

To settle a credit the assets of a joint venture accepted in international practice as instruments of hard currency value (securities, bills of exchange, promissory

notes, covering documents, etc.) can be used as well, and in the event of their shortage, guarantees of foreign banks and firms. The periods of repayment of credit are stipulated in relation to the periods of recoupment of the venture supported by credit. Credits are granted on standard commercial terms at interest in foreign currency on the outstanding part of the indebtedness under credit at the rates set in accordance with the going rates on the world money markets for relevant currencies. Moreover, the borrower pays to the bank commission for his obligation at an annual rate of 0.5 per cent on the unused part of credit, reimburses the bank for the commission paid by it, as well as for other expenses in foreign currency involved in the use of credit. The differences in the rates of exchange are entered in the borrower's account.

The creditor bank exercises stringent control over the intended use and periods of repayment of credit. In case of a violation of the terms of a credit agreement the bank is entitled to apply strict sanctions against the joint venture in default (to have the debt settled from the free sums in the foreign currency account of the joint venture, to apply a penality at 3 per cent annual interest, etc.).

In the process of the current activities of a joint venture the bank may give it long-term, intermediate-term and short-term credits in roubles and foreign currency. The procedure of opening long-term and intermediate-term credits is analogous to that used in granting credit in the formative stage of a joint venture.

Short-term rouble credits are given to a joint venture by specialized banks to meet current expenses. The credit limit is set by the banking institution on agreement with the joint venture. For the use of credit a joint venture pays to the bank interest at the rates set for the relevant branches of the Soviet national economy. A procedure has been introduced for verification by the banks of security and repayment of credit, as well as for applying a number of sanctions in the event of a violation of the terms of credit.

A joint venture which has direct access to a foreign market may be given credits against export commodities from a separate loan account without a limit on credit.

Short-term credit in foreign currency is given to a joint venture to buy abroad raw materials, auxiliary materials, and other commodities for a period of up to 2 years. The procedure of granting, security and repayment of credit, as well as payment of interest on the loan is analogous to that laid down for obtaining long-term and intermediate-term credits in foreign currency.

The banks effect settlement operations for joint ventures. A settlement account, loan accounts, and separate foreign currency accounts are opened for the service of a joint venture.

The settlement account is opened in the banking institution at the place of location of a joint venture following the presentation of relevant documents. At the request of a joint venture the same balance account may be used to open a separate account as its component part for the deposition and use of sums for capital investment. Annual interest of 0.5 per cent is paid on sums deposited on the settlement account of a joint venture.

A separate loan account is opened at the bank on each of the afore-listed loans.

To preserve and use foreign currency the Bank for Foreign Economic Affairs of the USSR may open a separate foreign currency account of a joint venture. At present the procedure for keeping such accounts is being finalized. However, they will most probably be foreign currency balance accounts with the right of conversion of foreign currency deposits to roubles at the rate of exchange of the State Bank of the USSR on the current day. With these accounts a joint venture will be paid interest on deposited sums.

Settlements of joint ventures with Soviet enterprises and associations are effected in accordance with the procedure envisaged for internal settlements. In the event of direct access to a foreign market, obviating Soviet foreign trade organizations, a joint venture effects settlements in forms accepted in international practice (collection of payments, documentary credit, etc.).

Thus, our Western colleagues and potential business partners, we are completing this brief excursion to the areas of financing and crediting in the foreign economic relations of the USSR. We wish you to establish mutually beneficial ties with Soviet partners, to which the Soviet credit system witll contribute in every way.

THE CUSTOMS REGIME IN THE USSR

One of the positive trends in present-day international affairs is the widening and strengthening of ties between counties, of many-sided trade, economic, scientific, technological and cultural co-operation among them.

All this implies mutual visits of individuals and an exchange of products of human activity.

In these conditions, the customs regime plays an important part in the life of any country. In the Soviet Union, the significance of the customs policy pursued through the customs regime assumes a new dimension in the light of the perestroika reforms now in progress in the country, which include improvement of the mechanisms of management of the economy and foreign economic relations. Therefore, the questions of customs formalities are of indisputable interest to businessmen.

Let us discuss the most important provisions of the customs regime in the USSR. More detailed information about them is available from Soviet customs authorities.

I. General Provisions

The fundamentals of the customs regime in the USSR are laid down in the Customs Code of the USSR and the Customs Tariffs of the USSR. The Customs Code was enacted by the Decree of the Presidium of the USSR Supreme Soviet of May 5, 1964, which was endorsed by the law of the USSR of July 15, 1964. In later years amendments and supplements were made in the Customs Code of 1964. The Customs Tariffs of the USSR were approved by the decision of the Council of Ministers of the USSR on April 27, 1981.

Besides these fundamental acts the customs regime in the USSR is laid down by decisions of the supreme bodies of state power and administration. These are, for instance, the joint decision of the CPSU Central Committee and the Council of Ministers of the USSR of August 19, 1986 on Measures to Improve the Management of Foreign Economic Relations, which initiated a radical restructuring of the mechanism of maintaining foreign economic relations, the decision of the Council of Ministers of the USSR of December 22, 1986, which established the basis for the system of authorization of the passage of goods and property across the border, the decisions of the Council of Ministers of the USSR Nos 48 and 49 of January 13, 1987 on the procedure of founding joint ventures on Soviet territory and their activities. There is also a variety of departmental instructions, regulations, orders, etc. The principal place among them belongs to the acts of the Central Administration for State Customs Control under the Council of Ministers of the USSR. Normative acts affecting customs regulation are also issued by the USSR Ministry of Foreign Economic Relations, the Ministry of Culture of the USSR, the Ministry of the Interior of the USSR, and other governement bodies.

The customs regime in the USSR is also determined by international agreements concluded by the USSR. Significantly, if an international agreement contains provisions different from those in Soviet customs legislation, the provisions of the international agreement prevail. Among the international agreements of the USSR the trade agreements, as well as agreements and conventions on customs formalities are directly related to the customs regime in the first place. The USSR is a member of a number of conventions on customs formalities worked out under the auspices of the United Nations European Economic Commission.

The Soviet Union takes an active part in the Conference of the heads of the customs administrations of socialist countries and participates as an observer in the sessions of the Council for Customs Co-operation.

The customs regime in the USSR consists of the established procedure for the passage across the Soviet state border of objects (commodities and property, transport vehicles, personal effects, Soviet and foreign currency, other currency values and securities), measures for fighting contraband and violations of customs rules and measures for collecting customs duties and other dues. The customs regime of the USSR is maintained by means of state customs control.

General direction of the state customs control is within the jurisdiction of the Council of Ministers of the USSR. Organization of state customs control is the duty of the Central Administration of State Customs Control under the Council of Ministers of the USSR, which was formed on February 12, 1986. Before that, direction of customs control had been within the jurisdiction of the Ministry of Foreign Trade of the USSR and was exercised by the Central Customs Administration, which was part of the latter's structure. The establishment of the Central Administration for State Customs Control under the Council of Ministers of the USSR will indisputably contribute to improving the customs regime of the USSR.

The Central Administration for State Customs Control under the Council of Ministers of the USSR is entitled to adopt normative acts on customs formalities, which are binding on all organizations, enterprises and individuals, including foreign juridical and natural persons staying on Soviet terriroty. State customs control is exercised by customs offices (custom-houses, custom-posts) and custom inspectors.

II. Customs Formalities

All property to be carried across the state border of the USSR is subject to state customs control. Its main guiding principle is state monopoly on foreign trade and other types of foreign economic activity. For this purpose a license system of import and export has been established in the USSR. Commodities and other property may be taken in or out only under a license for import, export or re-export unless another procedure is established by government decision. Personal effects, as well as property belonging to organizations and individuals enjoying customs privileges on Soviet territory, and some other property are passed without a license. Commodities and other property are objects belonging to state, co-operative and other associations, enterprises and organizations, including participants in direct relations, joint ventures, international associations and organizations, as well as foreign goods in transit across Soviet territory.

Licenses for taking into or out of the USSR commodities and other property are issued by the USSR Ministry of Foreign Economic Relations of the USSR and trade delegations of the USSR abroad. Licenses may be general (analogous to general licenses used in other countries) and single (analogous to individual licenses). General licenses are issued for one year, single licenses, for a period needed for taking property into or out of the USSR but, as a rule, for no more than one year. The validity of a single license can be prolonged. Applications for a license are considered within 10 days of the date of submitting. Both general and single licenses are personal and cannot be handed over to another importer. General licenses are issued to Soviet foreign trade organizations and associations, enterprises and organizations incorporating foreign trade firms, as well as to joint ventures involving Soviet organizations and firms from capitalist and developing countries. With such a license a foreign trade organization or a foreign trade firm can take in or out only those commodities or other property, deals with which are within its terms of reference. To take in or out other commodities and property a foreign trade association or firm is required to obtain a single license. A single license is also required when property is taken in or out for carrying out joint work, scientific research, etc. In accordance with scientific and technical co-operation plans, as well as in case of leaving on Soviet territory or abroad property temporarily taken into or out of the USSR against a guarantee of its return into or from the USSR (except the property of associations, enterprises and organizations to which general licenses have been issued).

In accordance with Clause 13 of the decision of the Council of Ministers of the USSR of January 13, 1987 (No. 49) "... equipment, materials and other property taken into the USSR by the foreign partners of a joint venture as part of their share in its authorised fund are exempted from customs duties".

Joint ventures are granted general licenses for taking into or out of the USSR commodities needed for the performance of their functions.

A single license is to be submitted to the customs office indicated before the arrival of the relevant commodities or other property at the state border. A general license is not to be submitted to a customs office, but its number, as well as the numbers of the relevant contracts, has to be indicated in the accompanying documents.

With a single license unavailable the relevant commodities or other property are refused clearance by the customs.

Commodities or other property being moved across the state border by way of a claim for inferior quality are cleared on presentation of a letter from the leading executive of an association, enterprise (including a joint venture) or organization addressed to the relevant customs office.

A written obligation for a return of property is the basis for clearance of property temporarily taken into or out of the USSR. Such obligation, however, is not required from an organization granted a general license for taking property into or out of the USSR. In such an event clearance is based on a general license.

Customs regulations allow of compensation-free transfer of property to Soviet organizations. Customs clearance of transfer is effected through a Soviet organization. Property transferred without compensation is subject to customs duties (except property transferred to Soviet non-government organizations within the framework of their foreign operations).

Clearance of transit goods passing across the Soviet state border requires a transit permit, which is issued by Soviet trade delegations (missions) abroad or by Ministry of Foreign Trade of the USSR.

Apart from the afore-mentioned licenses clearance of some objects taken across the state border requires additional licenses. For instance, products of vegetable or animal origin require a permit of the agencies of the State Agro-Industrial Committee of the USSR, and medicinal substances, of the agencies of the Ministry of Public Health of the USSR.

Soviet laws ban some kinds of articles from being taken into or out of the USSR. In particular, the following articles are banned from entry to the USSR:

(1) firearms of military models of any kind and ammunition for them;

(2) narcotic and psychotropic substances, as well as opium and hashish smoking devices;

(3) printed matter, clichés, negatives, undeveloped film, photographs, cinematographic reels, videocassettes and videodisks with recordings of motion pictures and other videoprograms, manuscripts, gramophone records and other sound recordings, drawings and other printed and imitative works containing information prejudicial to the political and economic interests of the USSR, national security, public order, public health and public morals.

The following articles are banned from being taken out of the USSR:

(1) firearms of military models of any kind, ammunition for them and combat materials;

(2) narcotic and psychotropic substances;

(3) cancelled securities;

(4) works of art and antiques (painting, sculptures, drawings, water-colours, engravings of various kinds, miniatures, articles of porcelain (rock crystal, ceramics, artistic woodwork, leather, precious and non-precious stones and metals, bone, artistic folk handicrafts, carpets, gobelins, furniture, artistic clothes and footwear, articles of numismatics, artistic arms, books, manuscripts, gramophone records, musical instruments, postage stamps, etc.) and other articles of considerable artistic, historical, scientific or other cultural value (such articles may be taken out only by a special permit of the Ministry of Culture of the USSR upon payment of customs duties in the amount of 100 per cent of the assessment indicated in the export license);

(5) cinematographic reels, cassettes and disks with recordings of videofilms and other videoprograms containing information prejudicial to the interests of the state, as well as to the rights of Soviet citizens;

(6) antlers of saigaks, Siberian stag, spotted deer, and izyuber deer, as well as skings of spotted deer (ossified antlers of izyubr deer and Siberian stag may be taken out of the USSR by foreign tourists having vouchers for game shooting in the USSR as hunting trophies).

Articles forbidden to be brought into the USSR are also banned from transit across Soviet territory. Apart from that, transit across Soviet territory is banned for the following items:

arms, ammunition and combat materiel;

flying machines, parts thereof, instruments and accessories for them;

machine-tools and machines for manufacturing arms, ammunition and flying machines;

explosives;

virulent poisons.

Customs clearance of commodities and other property brought into or taken out of the USSR is based on the accompanying documents.

Inspection of cargo is carried out within three days of their presentation to a customs office. For individual customs offices the central Administration for State Customs Control under the Council of Ministers of the USSR is empowered to prolong the period of inspection of cargo up to seven days. The manager of cargo is entitled to be present at its inspection.

For goods brought in from abroad without shipping documents, documents certifying the right of disposal of goods may be submitted additionally within a month.

Goods brought in with infringement on state monopoly of foreign trade but not concealed from state customs control are refused clearance. The mager of such cargo is entitled to take them out of the USSR within a month. A shorter period has been established for perishable cargo. If not taken out within a specified period, a cargo becomes property of the state without compensation. A decision on gratuitous transfer of property to the state may be appealed against in accordance with the standard procedure envisaged in Soviet law in relation to decisions taken by executives in the sphere of administration, that is, civil procedure.

III. Customs Tariff of the USSR. The Mechanism of Customs Collection

Commodities and other property brought or sent into the USSR are subject to customs duties. They are also levied on individual personal effects brought in over and above the limits set by the Central Administration for State Customs control under the Council of Ministers of the USSR. Commodities and other property, as well as personal effects, excluding articles being taken out by permission of the Ministry of Culture of the USSR, are not subject to customs duties, that is, the USSR has no export customs tariffs.

The following items of property are exempted from customs duties:

articles unfit for use either as finished products or as auxiliary materials as a result of damage;

articles destroyed during transportation from one customs office to another, as well as during unloading or storage at a custom-house warehouse;

objects of foreign origin licensed for provisionally duty-free importation into the USSR for the purposes of processing them into articles or final finishing with the aim of returning them abroad in the form of manufactured goods;

products of the soil and industry of the USSR brought back from abroad;

articles of foreign origin brought back from abroad, subjected to customs on initial entry and temporarily taken out of the USSR;

property brought into the USSR temporarily against an obligation for its return from the USSR;

objects brought into the USSR by mistake, if proof of such mistaken entry is available, as well as objects under customs control, if an application for their return from the USSR is sibmitted within a month;

objects designed for scientific and educational purposes, which are addressed to educational, scientific and research institutions;

commodities of foreign origin in transit across Soviet territory;

equipment, materials and other property brought into the USSR by foreign partners of a joint venture as part of their share in its authorised fund;

commodities brought in or originating from the developing countries.

In addition, specified types of cargo may be exempted from customs by a decision of the Council of Ministers of the USSR.

The amount of customs duties is prescribed by the Customs Tariff of the USSR.

As regards articles for personal use sent by international mail or carried by persons travelling across the Soviet state border, individual rates of duties are effective on the relevant articles. The same rates are applied in levying duties on cargo owned by representation offices of foreign firms, banks and other foreign organizations, as well as on cargo brought into the USSR by Soviet organizations (except cargo brought in by associations, enterprises and organizations granted the right of performing export-import operations, and cargo brought in under contracts of foreign trade organizations). The rates of duties on personal effects are set on the basis of the customs rates laid down in the Customs Tariff of the USSR. and with the view to the level of retail prices of relevant goods in the USSR.

The rates of customs duties on personal effects are subject to approval by the Central Administration of State Customs Control under the Council of Ministers of the USSR. The rates of such duties exceed the relevant rates in the Customs Tariff of the USSR.

The commodity classification of the Customs Tariff of the USSR is based on the Uniform Foreign Trade Commodity Nomenclature of the CMEA member-countries, the latest edition of which was made effective as of January 1, 1985.

This nomenclature makes use of transitional tables to fit in with the United Nations International Standard Trade Classification.

The Customs Tariff of the USSR contains 9 sections and 319 commodity items. Subitems are not indicated.

The commodity nomenclature of the Rates of Customs Duties on Items for Personal Use has been simplified. If the rates contain no relevant commodity item, the rates of customs duties envisaged in the Customs Tariff of the USSR apply.

An item missing in the Customs Tariff is brought under the most suitable commodity.

The Customs Tariff of the USSR is double-column. The first column contains the minimum customs rates, the second, the maximum rates. The minimum rates are applied to commodities originating or brought in from countries that accord most favoured nation treatment of Soviet commodities, while the maximum rates are applied to commodities originating or brought in from countries which deny such treatment to Soviet commodities. If commodities are subjected to customs duties at the maximum rates, the difference between the maximum and minimum rates on the same commodity cannot be attributed to the Soviet clients (consignors) or refunded by reducing some sums to be contributed by the afore-mentioned Soviet organisations to the Union budget. Besides, as regards objects brought in from countries with which no commercial treaties have been concluded or from countries which have infringed such treaties, the Ministry of Foreign Trade may fix a surcharge on the existing rates of customs duties, while duty-free cargo brought in from these countries may be subjected to a customs duty.

In the Customs Tariff of 1981 all the duties are advalorem. The price for assessing the customs duty is the whole-sale price of commodity at the place of its origin or manufacture with the addition of the expenses incurred in packing, insurance, transportation, commission, payment of export duties and other similar expenses required for purchasing and bringing commodity to the Soviet state border (price c.i.f. — port or f.o.b. — Soviet border).

The manager of a cargo is obliged to submit to the customs office documents (accounts, invoices, specifications, etc.) which can cartify the price of the commodity. If he is unable to submit such documents, he may make a declaration of price. The customs office may challenge the price indicated in documents or a declaration. In such an event, as well as in the absence of a declaration or documents cartifying the price of commodity, the customs office itself sets the price of the commodity on which the duty is to be levied.

The Customs Tariff of the USSR is one of the world's most liberal tariffs. Of the total 319 items 168 are duty-free. The mean arithmetic level of customs collection at the minimum rates is 3.71 per cent on all imports, and 7.83 per cent on dutiable imports. The mean values, however, give no full idea of the rates of customs duty. Some additional information can be borrowed from the tables below.

Table 1

The Level of Customs Collection under the Customs Tariff of 1981

Section, No., Item	Number of commodity items	Duty-free	Mean arithmetic level of customs duty collection	
			minimum	maximum
No. 1 Machines, equipment and transport vehicles	66	51	0.69 %	7.67 %
No. 2 Fuel, mineral raw materials, metals	45	35	0.91 %	9.98 %
No. 3 Chemical products, fertilizer, natural rubber	35	22	1.17 %	10 %
No. 4 Building materials and elements	18	4	5.39 %	13.94 %
No. 5 Raw materials and their processing products (non-food) except earliner named	45	32	1.96 %	11.29 %
No. 6 Live animals	7	7	0	10 %
No. 7 Raw materials for production of food and flavour goods	14	7	3.57 %	15.38 %
No. 8 Food and flavour goods	33	4	7.18 %	20.79 %
No. 9 Consumer goods (manufactured)	56	6	10.41 %	26.25 %
Total:	319	168	3.71 % including dutiable imports 7.83 %	14.122 %

Thus, the maximum rates of customs duties are substantially higher than the minimum rates, the difference being 8 to 15-fold in certain cases.

It can be seen from Table 2 that the proportion of the rates up to 5 % is 24.1 %, and, if duty-free items are counted in, is 76.8 %; over 5 % — 23.2 %, up to 10 % — 41.4 %, and, counting in duty-free items — 93.7 %, over 10 % — 6.3 %.

Table 2

Proportion of Customs Duties Depending on Their Rates (Minimum) in Relation to All Commodity Items in the Customs Tariff of the USSR

Rates of Customs Duties			
0, i.e. duty-free		Up to 3 %	
Number of items	%	Number of items	%
168	52.6	51	16

Rates of Customs Duties			
4—5 %		6—10 %	
Number of items	%	Number of items	%
26	8.1	54	16.93

Rates of Customs Duties					
11—15 %		16—20 %		Over 20 %	
Number of items	%	Number of items	%	Number of items	%
9	2.8	6	1.2	5	1.6

Customs duty is calculated on the basis of the rate effective on the day of payment of customs duty or on the day of clerance of the cargo by the customs office, depending on which of the periods indicated interferes with the other one.

On a cargo damaged en route or in storage at a customs office warehouse but fit for use, customs duty is levied at a reduced rate linked to the extent of damage.

Customs duties are to be paid within a month. Deferments and payments by installments are subject to permission of the Ministry of Finance of the USSR.

In the USSR a warehouse fee is collected for storage of property at a customs office warehouse.

Customs duty and customs fees, as well as fines may be paid both in Soviet and foreign currency bought by Soviet banking institutions. Sums paid in excess of the normal rate may be retrieved on presentation of the relevant claim within one year of payment.

Wrong actions and instructions of executive officers collecting customs duties, fees and other payments can be appealed against. Complaints against wrong actions in exaction of overdue payments are submitted to the relevant customs office (in case of customs officers) or to the relevant financial body (in case of financial officers). Complaints against other actions in the collection of such payments are referred to a court of law.

IV. Customs Regime for Temporary Entry of Property to the USSR

The main provisions of the customs regime in relation to property temporarily taken into the USSR are based on the following principles, universally recognized in the world.

Property brought into the USSR temporarily is let in across the Soviet border duty-free. This clearance is motivated by a commitment to take this property out on the expiry of a specified period. The limited period of property staying on Soviet territory is one of the key criteria of the regime of temporary importation. As a general rule, this period should not exceed one year. However, legal regulations of Soviet customs authorities take account of the interests of Soviet and foreign partners. For instance, property may be kept on Soviet territory for a period exceeding one year, if a contract between them (such as lease or consignemnt, a subcontract for construction or start-up work) provides for the use of said property in the USSR for a longer period.

The grounds for passage of property temporarily brought into the USSR across the state border furnished by an obligation in writing to take it out in due time. As an exception, no such obligation is required in case of bringing in specimens of raw materials, semi-fabricated goods and finished articles the cost of which does not exceed 50 roubles in Soviet retail prices of identical or similar goods.

The obligation is submitted to customs authorities by a Soviet organization maintaining business relations with the foreign owner of property over its delivery. Thus, the Soviet organization assumes an obligation in view of its interest in having said property in the USSR. The Soviet organization involved may be a Soviet juridical person, such as the sponsor of an exhibition, an organization-consignee or the recipient of a product specimen.

The relatively stable character of the operations performed on Soviet territory by the representations of foreign firms, banks and other organizations accredited under the established procedure with Soviet ministries and government departments allows these representations to assume obligations for a return of property on their own.

The organization (including one of the said foreign representations) which has taken a commitment for a return of property abroad is responsible to the customs authorities to the extent equivalent to the customs duty to be levied on property in the event of its "loss". This loss implies termination of ownership of said property, so that it cannot be physically presented to customs authorities as property to be returned.

The responsibility of the Soviet organization which sponsors a foreign or international exhibition, symposium, seminar or a similar event in the USSR, which also provides for a display of property, is limited to the sum of customs duty levied on property lost in storage. Storage, however, is recognized as legally valid only if there is a contract for it between the owner of property and the sponsoring organization. Thus, the prerequisite for responsibility is real possession of property and the availability of legal powers in relation to it. This relationship lies at the basis of the responsibility also of the foreign participant in such events (owner of property or his authorized agent).

Soviet legislation does not provide for other than the above-mentioned means of enforcement of the fulfilment of obligations. For instance, there is no rule for exaction of a surcharge customs duty in the USSR unlike what is envisaged in the customs conventions of 1961 for a temporary importation of professional equipment and articles intended for demonstration or use at exhibitions, fairs, assemblies or other similar events.

Non-fulfilment of an obligation in relation to property which has not been lost to actual possession of the responsible organization entails transfer of said property without compensation to the ownership of the Soviet state in accordance with the afore-mentioned procedure.

Property temporarily brought into the USSR comes under bans and restrictions of general significance regulation of entry to the country. Therefore, no passage is allowed across the border to objects listed among those forbidden for entry regardless of the character of import, whether it is temporary or implies utilization of said objects on Soviet territory. Temporary importation into the country, in particular, of products of vegetable or animal origin, radioelectronic and high-frequency devices, as well as other imports requires permits from the relevant government services to be submitted to customs authorities.

Property temporarily brought in is subject to stringent customs control up to the time of its removal abroad or pending receipt of permission to leave it on Soviet territory for good. For this purpose the transport, commercial or other documents submitted to customs authorities clearly indicate data required for identification of such property. Control is exercised by customs offices located, as a rule, at places where said property is used. For instance, this may be the city where the exhibition is held or the consignment warehouse is situated. Customs inspection of property is also carried out there, as a rule.

Removal from the USSR of property temporarily brought in is carried out through any customs office provided said property is written off the record. A violation of this condition may cause formal acknowledgement of the non-fulfilment of an obligation and entail corresponding material damage. It should be borne in mind at the same time that Soviet legislation does not provide, with rare exceptions (for instance, TIR carnet or the Scandinavian customs passport), for recognition of documents used by the customs administrations of non-socialist countries, which could confirm the return of property to the original exporting country.

The grounds for writing off the customs records property temporarity brought in and left on Soviet territory for good are furnished by a license of the USSR Ministry of Foreign Economic Relations. Property is also withdrawn from the customs records in the event of its utilization on Soviet territory, if such utilization was permitted by customs authorities, and also in the event of damage to property bad enough to rule out the possibility of its further utilization.

Property brought in temporarily may also be left on Soviet territory without its withdrawal from the customs records. For instance, exhibition property may be handed over to a diplomatic mission for use at future exhibitions held in the USSR with the participation of firms and organizations of the accrediting state. In such an event an obligation is taken by the relevant diplomatic mission. Property may stay in the country not longer than one year either.

V. The Customs Regime for Entry of Property Owned by Representations of Foreign Firms, Banks and Organizations

In accordance with Soviet legislation, the representations of foreign firms, banks and organizations maintain relations with Soviet organizations through the Soviet ministry or government department (the USSR Ministry of Foreign Economic Relations, State Committee of the USSR for Science and Technology, Ministry of Civil Aviation, etc.) with which the representation has its accreditation. In view of that, the relevant ministry or government department has to submit an application to customs authorities for bringing in property intended for use in the office (furniture, communication devices, office equipment, etc.), samples of raw materials and products, as well as property for use at exhibitions sponsored within the framework of the functions of the representations.

The other rules of the customs regime applicable to such property relate to the temporary character of importation and were discussed in the foregoing. Foodstuffs, beverages and tobacco products, stationery, paper, household and other goods utilized in the process of the functioning of the representation are cleared on payment of customs duty.

Unless otherwise stipulated in the license for opening the representation, it is allowed to bring into the USSR two motor vehicles which are cleared by the customs on the strength of an obligation to take them out and of the aforesaid application. A member of the representation staff is allowed to bring in one motor vehicle on the strength of an obligation to take it out of the USSR. Motor vehicles brough in for a period of over 6 months are subject to registration with the agencies of the State Traffic Inspection, whereupon the customs office makes out a registration certificate.

Personal effects of representation staff members are cleared under the standard procedure. Articles for their initial accommodation are exempted from customs duty within the limits of their personal requirements during one year since the day of their arrival in the USSR.

Foodstuffs, beverages and tobacco products are not listed among articles for initial accommodation.

The Customs Regulations and Formalities for Foreign Nationals

This section deals with the customs formalities for foreign nationals travelling to the USSR on business, in particular, for work, conferences, meetings, negotiations, on invitations of government or non-government organizations.

The customs formalities are regulated by the Customs Code of the USSR, as well as the normative acts of the Central Administration for State Customs Control under the Council of Ministers of the USSR. The procedure of customs clearance of currency and currency values passing across the state border is also determined by the normative acts of the Ministry of Finance of the USSR. Customs formalities imply actions required or carried out by customs authorities in connection with transportation by foreign nationals across the state border of personal effects, currency and currency values.

A person over the age of 16 travelling across the Soviet state border is required to present to the custom-house a declaration in writing indicating the exact number of his pieces of lugage, hand luggage in particular. It is mandatory to indicate such items as arms and ammunition, narcotic drugs, artistic and historical values, foreign currency, etc., as well as other required information (nationality, the purpose of the journey, etc.). A family is allowed to fill in only one common declaration for all its members. In this case it is signed by each member over the age of 16, while the articles, foreign currency and valuables in possession of all members are indicated in the declaration accordingly by a total number or sum.

A customs declaration is filled in before passing the line of customs control and is presented to the custom-house along with all personal effects, foreign currency and valuables. Failure to report to the custom-house any of the items listed in the customs declaration form is regarded in Soviet law as a form of concealment from customs control, with the result that the guilty person may be held liable by law.

The customs declaration is retained by the foreign national for clearance when leaving the country. The declaration is also required to furnish the grounds for taking out the articles, foreign currency and valuables earlier brought into the USSR. The customs regulations preclude a renewal of the declaration.

Foreign nationals travelling to the USSR on business and members of their families are allowed to bring in duty-free items for personal use within reasonable limits.

Items for personal use in Soviet customs declarations, as well as in the 1954 Convention for Customs Privileges for Tourists imply new or used articles intended for personal use or consumption en route and during the period of staying in the country visited, which are consistent in character, kind and number with the duration and purpose of the journey. These are clothes and footwear, jewellery of precious metals and stones, items of personal hygiene, perfumes, electronic devices for home use, foodstuffs, etc.

Confiscation of such items intended exclusively for personal use on Soviet territory is forbidden.

Customs regulations also apply to the number of items that may be taken into or out of the USSR in the following two ways. One of them in direct regulation of entry and exit applied to individual items (for instance, tobacco products, alcoholic beverages, or, in the event of exit, to jewellery). The other, main, way is setting the limit to personal requirements, which imply reasonable amounts to meet the personal material and spiritual requirements of the traveller crossing the Soviet state border, taking into consideration all the circumstances of his journey to the USSR (purpose of the visit, season of the year, duration of staying in the country, composition of the family, etc.).

Apart from the items forbidden to enter the USSR in accordance with the Soviet Government decisions, the currency regulations prohibit bringing in Soviet bonds of state loans, Soviet lottery tickets, as well as — unless envisaged differently in international agreements of the USSR — Soviet currency. Persons permanently residing abroad and coming to the USSR for a temporary stay are not entitled to bring in gold coins. The owner of such coins must return them abroad or he may offer a Soviet banking institution to buy them.

Soviet currency, bonds and lottery tickets not declared to the customs and discovered by them are retained by the customs and will not be returned to the owner.

On completing their stay in the USSR on business, foreign nationals and members of their families are permitted to take out personal effects earlier brought into the USSR and items within the limits of personal requirements purchased in the USSR. Purchased items imply only articles purchased with legally received foreign or Soviet currency. Such currency may be foreign currency registered by the customs on entry to the USSR or received at Soviet banking institutions as royalty, prizes, wages and salaries, etc., and Soviet currency received through a banking exchange of foreign currency or also as royalty, prizes, etc. at banking or other Soviet institutions and organizations.

Customs and currency instructions prohibit taking out of the USSR precious metals in any form and state and natural precious stones, crude or processed. As an exception to this rule, foreign nationals travelling across the state border on business and members of their families aged over 16 may take out jewellery and other items of precious metals (except silver), as well as any material with natural precious stones in quantities of no more than 5 articles.

No restrictions exist on taking out any items purchased with convertible currency on Soviet territory at specialized shops and other organizations. Taking out of the USSR articles of considerable artistic, historical, scientific or other cultural value requires special permits from the Ministry of Culture of the USSR and payment of customs duty at the rate of 100 per cent of the price indicated in such permits.

To secure observance of such instructions regulating the transfer across the state border of the USSR of articles for personal use, currency and valuables, the Customs Code of the USSR has established a system of customs control consisting of routine actions a customs office is empowered to take. These are inspection of luggage, including hand luggage, usually without tearing the packaging of items, by X-raying of safe intensity involving no health hazards, and verifying the information submitted in declarations.

The customs regulations for persons travelling across the Soviet state border are subject to amendment and may be accordingly revised.

THE TERMS AND ORDER OF TRANSPORTATION AND INSURANCE OF FOREIGN TRADE CARGO ON SOVIET TERRITORY

Before learning the terms of transportation of foreign trade cargo, the reader would be wise to acquaint himself with the standards of development of the transport services in the USSR.

The transport services are one of the basic branches of the Soviet economy, forming its infrastructure. They are called upon to meet the steadily growing demand of society for the movement of material products of labour and people.

The USSR has set up a unified transport system (UTS), an economically balanced agglomeration of all types of transport (rail, water-borne, motor, air and pipeline), which serve to support the economic links between enterprises and organizations and continue the production process in the sphere of circulation.

Comprehensive development of the UTS calls for a requisite balance between the transport services and the national economy, the types of transport, the trunk-line and local transport routes, including their technological equipment, the types of vehicles.

Over the 70 years of Soviet government the requisite conditions have been provided for dependable transport maintenance of the economic links between all areas of the country. Not only have the traditional means of transport (rail, river-borne, and sea-going) been developed, but new types of transport have been introduced, such as motor, air and specialized pipeline. Today the USSR ranks high as a great transport power.

In 1986, the total length of transport routes, including airlines within Soviet territory increased 20 per cent from 1980, exceeding 3 million kilometres. The main network of routes consists of motorways (over 50 per cent) and airlines (about 30 per cent) (see Table 1).

The development of the national economy, specialization and co-ordination of industrial production have substantially influenced the transport services and ensured the high rates of growth of freight transportation (Table 2).

Table 1

Shares of Types of Transport in the Total Network of Transport Routes (%)

Type of transport	1970	1975	1980	1985	1986
Railways	6.5	6.6	5.4	4.8	4.7
Motorways	53.0	48.5	51.0	51.2	50.9
Inland waterways	6.9	6.9	6.2	4.9	4.7
Pipelines (oil and oil products)	1.8	2.7	2.7	2.7	2.6
Gas pipelines	3.2	4.7	5.0	5.7	5.9
Airlines	28.6	30.6	29.7	30.7	31.2
Total	100.0	100.0	100.0	100.0	100.0

Table 2

Growth of Total Freight Conveyance by Transport in General Use

Index	1970	1975	1980	1985	1986
Volume of transportation, mill. tons	18,522	25,928	29,626	31,819	33,133
Freight turnover, thous. mill. ton-km	3,960.6	5,481.3	6,781.1	7,807.8	8,193.0
Average length of transportation, km	214	211	229	245	247

Between 1970 and 1986, the volume of freight transportation increased 80 per cent, while freight turnover more than doubled. The rates of growth of freight turnover were faster due to an increase in the average length of transportation caused by involving the far-way areas of the North and East of the USSR in the economic turnover.

Transportation of metals and crude oil, machines and chemical industry goods, agricultural goods and consumer goods is high on the list of priorities of the transport services.

The nation-wide container transport system (CTS) incorporating a network of container terminals is developing at a fast rate. In 1986, the volume of freight transportation in aggregated state (containers and packages) reached 520 mill. tons, in which packaged freight accounted for over 6·5 per cent (see Table 3).

Table 3

Freight Shipped in Containers and Packages by Different Types of Transport in General Use

Type of transport	Freight shipped in containers, mill. tons			Freight shipped in packages, mill. tons		
	1980	1985	1986	1980	1985	1986
Rail	40	52	54	160	208	220
Sea-borne	6.1	9.1	9.4	12.8	14.9	14.9
River-borne	2.8	3.3	3.4	9.8	10.8	10.9
Motor	103	107	108	90	110	100
Total for the types of transport listed	151.9	171.4	175.0	272.6	343.7	345.8

There are substantial differences in the development and operation of the types of transport, which are presented below in the brief characteristics of each of them.

Railways. This type of transport plays the leading part in the transport services of the USSR, which is logical. The development and distribution of production is most closely linked with the railway network. Railway transport best corresponds to large-scale mass production. In view of the economic and geographic features of the USSR, developing the natural wealth of the country's distant regions and involving them in the economic turnover should be best undertaken with the aid of railway transport.

The total operational length of the railways controlled by the Ministry of Railways was 145.6 thous. km in 1986, of which 50.6 thous. km were electrified. Moreover, the USSR has about 150 thous. km. of approach lines of industrial enterprises.

Freight transportation by rail steadily grows and reached the mark of 4,000 mill. tons in 1986 (see Table 4).

Table 4

Freight Transportation by Rail

Index	1970	1975	1980	1985	1986
Volume of transportation, mill. tons	2,986	3,621	3,728	3,951	4,078
Freight turnover, thous. mill. ton-km	2,494.7	3,236.5	3,439.9	3,718.4	3,834.5
Average distance, km	835	894	923	941	940

Among the cargo conveyed by rail the following bulk cargo prevails: mineral building materials (27 per cent), coal (19 per cent), crude oil and oil products (10 per cent). Towards 1990 the volume of freight transportation is to grow by 8—10 per cent. The number of specialized railway cars in operation will be 30—40 per cent greater. About 2.3 thous. km of new rail tracks will be opened to traffic.

The main railway arteries of the USSR are radial with the centre in Moscow. The Moscow railway junction gives off 11 trunklines extending in different direction to link the central regions and the capital with all the other economic regions. The scope of new construction is growing in the country's eastern regions. The biggest construction project of the recent period — the Baikal-Amur trunkline (BAM) — has a length of over 3,000 km. In the west BAM links up with the Trans-Suberian trunkline (Ust-Kut — Taishet), in the east it is continued by the railway line between Komsomolsk-on-Amur and Sovetskaya Gavan.

Railways connect the USSR with foreign countries as well. Along the Trans-Siberian trunkline freight is brought to the China, Mongolia, and the Korean People's Democratic Republic; along the Moscow—Minsk—Brest railway line — to Poland and the GDR, along the lines from Lvov, Chernovtsy, and Kishinev to Czechoslovakia, Hungary, Romania and further to Yugoslavia, Bulgaria, Austria, and other countries of Western Europe. The railway ferries between Ilyichovsk and Varna and between Klaipeda and Mukran are operating effectively.

To improve the prospects for using railway transport the European member countries of CMEA have set up a common pool of railway cars, co-ordinate the volumes of international goods turnover and the distribution of freight between different types of transport.

Sea-borne transport has great significance. In addition to freight carriage inside Soviet territory (large and small coastal shipping) this type of transport is used chiefly to maintain foreign economic relations. Sea-borne transport accounts for up to one half of the total volume of foreign trade goods transportation and about 85 per cent of the total goods turnover.

Soviet sea-going merchant vessels carry cargo to all countries of the world, operating on more than 35 regular shipping lines connecting Soviet ports with foreign countries. The leading place in this transportation is held by crude oil and oil products (40 per cent), ore (6.8 per cent), timber (4.5 per cent), mineral building materials (8.5 per cent), grain and milled products (8 per cent), metals and metal scrap (6.7 per cent).

The merchant navy of the USSR has over 7,000 ships (from 100 gross registered tons upwards) with a total carrying capacity of 24 million gross registered tons. The main indicators of the operations of the merchant navy are presented in Table 5.

Table 5

Freight Carriage by Sea-borne Transport

Index	1970	1975	1980	1985	1986
Cargo shipped, mill. tons	162	200	228	240	250
Freight turnover, thous. mill. ton-miles	354	398	458	489	524
Average distance of transportation of one ton of cargo, miles	2,188	1,988	2,007	2,039	2,099

Since sea-borne transport conveys foreign trade cargo, the share of shipments to foreign ports in the total volume of transportation by sea is steadily growing. In 1986, it was equal to 66 per cent as against 26 per cent in 1950.

The export of transport services of the Soviet merchant navy is on the upgrade. Foreign charterers use Soviet vessels for cargo transportation between foreign ports. The merchant navy is being constantly supplemented with new ships. Among them there are tankers of up to 150,000 tons deadweight, bulk cargo carriers of up to 50,000 tons deadweight, combined oil-and-ore carriers of up to 100,000 tons deadweight. Specialized ships, such as container carriers, lighters, and refrigerated ships are used on a growing scale.

River-borne transport. The USSR has the world's largest network of internal waterways. The total length of the rivers is over 2.5 million km. There are about 2,000 lakes in the USSR. In 1986, the total length of inland waterways in use reached 126.6 thous. km and man-made waterways 21.1 thous. km.

The quantities of cargo carried by water-borne transport are growing, although in 1986 the freight turnover fell slightly as compared with 1985, because the average distance of freight conveyance declined (see Table 6).

Table 6

River-borne Freight Transport

Index	1970	1975	1980	1985	1986
Cargo shipped, mill. tons	357.8	475.5	568.1	632.6	648.7
Freight turnover, thous. mill. ton-km	174.0	221.7	244.9	261.5	255.6
Average distance of transportation of one ton of freight, km	486	466	431	413	394

River-borne transport carries mineral building materials (up to 80 per cent), timber (rafts and ships) (11 per cent), tanker cargo (6 per cent) and coal (3 per cent).

Towards 1990 the volume of freight transportation on inland waterways primarily will have increased by 9—11 per cent due to higher growth rates of freight carriage along the rivers of Siberia and the Far East and small rivers.

Transportation of mass cargo is being increasingly shifted from rail to water-borne transport in the European part of the USSR, primarily in the Volga-Kama and Dnieper basins. The fleet of ships is being modernized, large-displacement tug-pushed convoys of up to 30,000 tons cargo-carrying capacity in the central areas of the Russian Federation and up to 22,000 tons capacity in the eastern basins are being introduced into service. Tugs of over 2,000 kW power capacity are used to push these convoys, and in the eastern basins smaller tugs of 1,500 kW capacity are used. The fleet is being supplemented with dry-cargo ships and tankers with a carrying capacity of 5,000 tons and more, as well as with mixed river—sea-going ships of up to 3,000 tons capacity

Motor transport is closely involved in the operation of all branches of the national economy. It is most effective in short-distance freight carriage. Its flexibility and manoeuvrability ensure high-speed delivery of freight. The motor transport services, therefore, are developing at a high rate. In the total volume of freight transportation (in mill. tons) by all means of conveyance of the country's UTS the motor vehicle accounted for 81.5 per cent in 1986, with a significantly smaller share in the freight turnover — about 6 per cent, because of the short average distance of freight delivery (roughly 18 km). See Table 7.

Table 7

Freight Carriage by Motor Transport

Index	1970	1975	1980	1985	1986
Freight shipped, thous. mill. tons	14.6	20.9	24.1	25.9	27.0
Freight turnover, thous. mill. ton-km	221	338	432	476	489
Average distance of transportation of one ton of freight, km	15.1	16.2	17.9	18.4	18.1

In addition to short-distance runs there are intercity and international long-distance runs, which are carried out under centralized schemes mostly by lorry convoys. The share of this carriage in the total freight turnover handled by motor transport amounts to 15 per cent. The increase in freight transportation contemplated for 1990 has been set at 18—19 per cent.

The national fleet of motor vehicles is growing and is being supplemented with motor vehicles of new models. Distinctive among them are KAmAZ, ZIL, and BELAZ supplied with trailers. Much attention is paid to building motorways, particularly in rural localities. In 1990, construction of motorways connecting the central estates of collective and state farms with the administrative centres of districts will in the main be completed.

Pipeline transport. The share of this type of transport in the total freight turnover is steadily growing. In 1986, it reached 32 per cent, crude oil and oil product pipelines accounting for 17 per cent. The pipeline transport is responsible for highly regular deliveries and cuts product losses in transit. The process of pumping crude oil, oil products and gas through pipelines easily lends itself to automation.

In 1986, the length of trunkline pipelines for pumping crude oil and oil products reached 81.5 thous. km and that of gas pipelines, 185 thous. km.

The main indicators of pipeline transportation of crude oil and oil products are presented in Table 8.

Table 8

Operation of Pipeline Transport
(Grude Oil and Oil Products)

Index	1970	1975	1980	1985	1986
Deliveries, mill. tons	337.9	496.8	626.9	630.8	652.9
Freight turnover, thous. mill. ton-km	281.7	665.9	1.216	1,312.5	1,401.3
Average dustance of transportation, km	834	1,340	1,940	2,081	2,146

Deliveries of natural gas via pipelines grew to 616 thous. mill. cu. m in 1986. Such scope of gas transportation to the areas of use determines the scope of its use as fuel and a chemical raw material.

There are international gas pipelines, such as Druzhba (Friendship) and Bratstvo (Brotherhood) among the main pipelines.

Air transport. The main task facing air transport is passenger carriage over various distances, first and foremost over long distances. The USSR has a ramified network of airlines. In 1986, their total length within Soviet territory amounted to 970 thous. km. Air communications connect more than 3,600 cities and towns. The indicators of freight and passenger transportation are presented in Table 9.

Table 9

Development of Air Transport

Index	1970	1975	1980	1985	1986
Freight and mail delivered, thous. tons	1,844	2,472	2,989	3,183	3,157
Freight turnover, mill. ton-km	1,877	2,590	3,094	3,355	3,384
Average distance of transportation of one ton of freight, km	1,018	1,048	1,035	1,054	1,072
Passengers carried, mill. persons	71.4	98.1	103.8	112.6	116.1
Passenger turnover, thous. mill. passenger-km	78.2	123	161	188	196
Average distance of carriage of one passenger, km	1,095	1,254	1,551	1,670	1,688

The volume of air chemical operations in agriculture and forestry is growing. Towards 1986, about 108 mill. hectares of agricultural land and forestland had been exposed to such treatment. Moreover, planes and helicopters of civil aviation are used to carry out aerial photography, design and exploration work, in the construction of transport and industrial projects, and in the medical services to the public.

Foreign trade freight carriage. The development of foreign economic relations of the USSR determines the trends of growth in international transportation. In 1986, the volume of Soviet foreign trade freight carriage amounted to 0.5 thous. mil. tons, of which two thirds were export cargoes.

Transportation according to the means of conveyance is distributed as follows: over one half of the total volume of transportation is handled by sea-borne transport; 45 per cent goes to the share of railways and pipelines (crude oil and gas pipelines). The remaining share goes to river-borne and motor transport, the latter accounting for a mere 0.2—0.4 per cent in both exports and imports. More than one half of the foreign trade freight transportation of the USSR (about 55 per cent) goes to the socialist countries, the share of the developed capitalist countries being 40 per cent, and the remainder going to the developing countries.

Thus, foreign economic activities are connected with the movement of significant volumes of various commodities over long distances. In the process of freight conveyance, producers, sellers, and buyers, as well as conveyors of cargo enter into specific relationships. The latter are regulated by agreements and contracts based on national and international legal standards. In this context, transport operations in the sphere of foreign commerce are part and parcel of the integrated system "production-foreign trade-transportation-consumptions". They are subdivided into domestic and foreign operations.

Domestic operations cover freight deliveries to border points (ports), transshipment, warehousing, completing of units, commodity management, transfer of cargoes, transport vehicles and various transport equipment across the state border.

Transport operations abroad cover re-addressing cargo, concluding a new contract for transportation, forwarding, agency, leasing, broking and other services of carriage and means of transportation.[1]

The legal basis for regulating relations between partners in the transportation process is laid in the Charter of Railways of the USSR, the Code of Merchant Shipping of the USSR, the Code of Inland Waterway Transport of the USSR and the Air Code of the USSR.

Freight transportation on international routes is regulated, as a rule, on the basis of the relevant international conventions, tariffs, agreements, international customs easing the movement of cargo in the sphere of internationl commodity exchange.

International agreements effective in this sphere include the Agreement on Through International Railway Transportation (AIRT), the Agreement on Through International Mixed Rail—Water-borne Transport (AIRWT), and other agreements, including bilateral ones.

The transport service of foreign economic relations has the following main stages:

— planning freight transportation of the foreign economic complex (its individual enterprises) on international and domestic routes with detailed volumes and directions of transportation;

— finalizing the transport factor in international sale contracts;

— finalizing the contents of transportation terms in international sale contracts.

The planning stage includes determination of freight transport directions, the structure of commodities, rational distribution of carriage volumes between types of transport, selection of effective itineraries. The statutory document The Guidelines for Annual and Quarterly Planning of Freight Transportation, approved by the Decision of the Council of Ministers of the USSR No. 6 of 4 January, 1970 lays down the procedure and periods of drafting applications for freight transportation, their coordination and endorsement.

In accordance with The Guidelines the industrial ministries before July 1 of the pre-plan year are to submit to the USSR State Planning Committee, the USSR State Committee for Supplies, and the transport ministries their annual applications for freight transportation on international routes.

Quarterly applications for transportation of export and import freight are to be forwarded to the relevant transport ministries 40 days before the opening day of the planned quarter at the latest. They include applications for transportation of export and import freight by sea, motorway, through rail, through mixed rail—water-borne transport.

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[1] S.N. Kochetov, Organization of Foreign Trade Transport Operations, Moscow, 1987, p. 16 (in Russian).

Monthly applications for freight transportation are submitted, as a rule, not later than 15 days before the opening day of the planned quarter. These refer to transpotation of export and import freight by sea and motorway; shipment of import freight subject to delivery in ports to local consignees or shipment from ports by motor or river-borne transport; railway rolled stock for transportation of import freight from border stations and sea (river) ports; delivery of export freight to Soviet seaports.

Finalizing the transport factor is a prerequisite for drafting and concluding foreign trade contracts (agreements). The transport factor implies the socially necessary costs of transportation of products in foreign economic relations, including the quality characteristics of transport services and counting in overhead charges. The transport factor, which takes the form of the transport component in the commodity price indicates the total cost of transportation of a commodity all along the way towards its destination. This cost varies with the price of transport service (tariffs, freight charge, insurance premium, various fees, commission, etc.). It actively influences the character of a foreign trade deal.

The expenses of associations and enterprises incurred in transportation of foreign trade freight on Soviet territory from or to state border points are calculated by the internal rules of freight transportation and the tariffs effective in every type of transport regardless of whether or not the transportation agreement has been formalized by an international instrument.

In case of freight transportation by rail on through international routes between the member countries of AIRT by transit across the territory of other countries the cost of transit is calculated by the Uniform Transit Tariff for the Socialist Countries of Asia and by the International Transit Tariff between the Socialist Countries of Europe.

In transportation of freight by sea on Soviet and foreign ships the freight charges are calculated on the basis of special tariffs of bilateral and multilateral lines. In settlements with Soviet carriers in line and tramp shipping, tariffs calculated by Price Lits 11—03 and based on world prices are applied.

In motor and air transportation, special tariffs are also used in settlements with Soviet carriers.

Information on tariff guides, amendments to them and settlements in determination of transportation costs, as well as on the world freight rates, tariffs, the transportation costs of carriage and handling of cargo is available from V/O Sojuzvneshtrans.

Thus, we have come to finalizing the **contents of the transport terms in the international sale contract,** in the process of which the order of conveyance, the terms and periods of loading and unloading freight are agreed and established, calculation of the transport costs is made, and the procedure for their payment is stipulated.

The transport terms of foreign trade contracts lay down the basis for the delivery, the selection of which is influenced by many factors, including the type and character of foreign trade deals, the characteristics of commodity, the state of fluctuating commodity and transport markets, the type of transport involved in transportation.[1]

The basic terms of commodity delivery stipulate the seller's and buyer's responsibility for the costs involved in commodity transportation and transshipment. These costs are highly varied and may include: expenses incurred in loading commodity onto the means of conveyance of the domestic carrier, payment for commodity transportation from the point of departure to the main vehicle of foreign trade transport, reimbursement of expenses on loading commodity onto the main means of conveyance at the point of export; payment of the cost of transportation of commodity by foreign trade transport; payment of insurance of cargo en route during transportation by sea; expenses for storage of commodity en route, transshipment and re-packing, expenses for unloading commodity at the point of destination; the costs of delivery of commodity from the point of destination to the buyer's warehouse, payment of customs duties, fees and taxes when crossing the state border.

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[1] S. N. Kochetov, Organization of Foreign Trade Transport Operations, Moscow, 1987, pp. 30—31, 60.

Forwarding services are rendered abroad through Soviet representatives, foreign forwarding firms, and joint stock companies on the basis of the relevant agreements.

Forwarding services of foreign trade freight turnover at sea ports are regulated by the General Agreement concluded between the USSR Ministry of Merchant Marine and the USSR Ministry of Foreign Economic Relations on the procedure for transshipment and forwarding of export and import cargoes, at the ports of the Ministry of Merchant Marine.

As far as the responsibility for the safety of freight is concerned, up to the time of its actual delivery to the carrier the responsibility rests with the shipping enterprise and, after the delivery, with the accepting party. This responsibility is outlined by the Rules of Transportation of Export and Import Freight effective in the corresponding types of transport.

Transport insurance of freight is secured by the USSR Insurance Joint Stock Company (Ingosstrakh) on the basis of a written application for insurance (letter, telex, telegram), indicating data required for making out an insurance policy: the description of freight, packaging, quantity, weight, points of loading and delivery of freight, type of transport carrying freight; the number and date of the carriage documents (bill of lading, railway invoice, motorway invoice, etc.), the insurance sum, and the terms of insurance. Detailed information on transport insurance is available from Ingosstrakh, 12 Pyatnitskaya St., Moscow 113035.

STANDARDIZATION IN THE USSR

Being a prerequisite for planned economic development, standardization is especially important in the socialist economy. It is employed by the government as a tool of total quality improvement, reduced time on R&D and organization of specialized production processes.

Standardization on an international scale promotes exportation of goods of high technical level and quality to meet the world market requirements. The USSR is an active member of international organizations for standardization and certification. Nowadays a large number of Soviet normative technical documents meet international standards.

Standardization in this country is managed by the USSR State Committee for Standards (Gosstandart), which is responsible for organization, status and optimal development of standardization and intersectoral unification, higher efficiency of social production and better product quality, technological level and commercial validity of state standards it approves.

Standardization work in civil engineering and the building materials industry is carried out by the USSR State Committee for Civil Engineering (Gosstroi).

Structurally, the Gosstandart network covers research institutes as well as territorial bodies established according to the state and administrative territorial division principle.

The Gosstandart network comprises 250 territorial bodies, viz. 15 republican departments located in the capitals of the Union Republics, 117 centres of standardization and metrology, and 118 state surveillance laboratories located in the reginal centres of the Union Republics and in district centres.

The Gosstandart territorial bodies function as follows:

verify the implementation of and compliance with standards;

control the compliance with product assessment procedures and the quality of essessed products;

supervise the observance of metrological regulations, the appropriate use of physical units accepted in the USSR, the condition of measuring instruments and the terms of their manufacture, storage, maintenance, In all these basis terms the seller's and buyer's general duties may be singled out:

For instance, the seller is obliged to supply commodities in compliance with the terms of the contract; to notify the buyer in good time of the readiness of commodities for shipment; to pay the costs of inspection of commodities; to secure standard packaging of commodities; to pay customs duties and taxes levied on exports; to obtain an export license at his own expense; to submit to the buyer (at his request and expense) a certificate of the origin of commodities and the consul's bill; to bear the risks and expenses up to the time of placing commodities at the buyer's disposal at the point stipulated in the basic terms and at the time fixed in the contract; to assist the buyer (at his request) in obtaining other documents which may be required to bring commodities into the country of destination.

The buyer's duties are interlinked with those of the seller, in view of which the buyer is obliged to accept commodity at the point and time stipulated in the contract and to pay the commodity price set in the contract; to bear all expenses and risks connected with commodities after the date of expiry of the delivery deadline; to pay all expenses and duties involved in obtaining documents issued in the country of shipment; to pay all customs and other duties and taxes exacted in importation of commodities; to secure at his own risk and expense the receipt of an import license.

All of the afore-listed general terms of commodity delivery (basis for shipment) are set out in an edition of the International Chamber of Commerce entitled International Commercial Terms (Incoterms, 1980); a detailed definition is given to most common basic terms. Besides the above-listed stages, finalizing the transport terms in foreign economic relations one should take account of a number of other conditions, including commercial law provisions, preparations of commodities for transportation, handling claims and lawsuite, and cases submitted to arbitration.

In the process of freight transportation on international routes a number of operations performed at the initial and final points of carriage are not part of the duties of the main carrier, and are carried out either directly by the shipper (seller) or by a specialized forwarding organization acting on the basis of a contract. Forwarding operations are connected with loading, unloading, acceptance, presentation and delivery of freight to the station of departure (sea or river port). The above operation can be provisionally subdivided into three main types of service:

(a) transport — delivery of freight from the shipper's warehouse to the consignee's warehouse (border railway stations and international sea or river ports);

(b) cargo-handling — loading into transport vehicles and rolled stock (railway car, ship, motor vehicle) and unloading from them, sorting out, packaging, completing of shipments;

(c) forwarding — documentary acknowledgement of acceptance of freight for transportation and the release of cargo, information of the consignee about shipment and forwarding of freight, payment of carriage tools and fees.

Operations of this kind are carried out by specialized organizations: V/O Sojuzvneshtrans and Techvneshtrans.

The operations of forwarding organizations are exemplified by those of the All-Union self-supporting Association Sojuzvneshtrans (17 Gogolevsky Boulevard, Moscow 121019, USSR). This Association provides forwarding services of export, import, transit and other freight in transportation by all means of conveyance on international routes, acting on behalf of or on a commission from freight owners, including enterprises and organizations of the USSR which have the right of access to international markets, represents their interests in relations with various transport organizations, ministries, and government departments in the USSR and abroad.

Relations between V/O Sojuzvneshtrans and its clients are regulated by direct economic contracts. A standard contract for forwarding services and consultation in this field, including calculation of the transport component of the commodity price is available from V/O Sojuzvneshtrans.

The Association handles its operations on Soviet territory through specialized firms, functional departments, its offices at sea ports, at border railway stations and motor border checkpoints, bases and forwarding centres.

ment); marking, packaging, handling and storage regulations; operation and maintenance rules; manufacturer's (supplier's) warranties.

In social life objects of standardization include protection of labour and public health, protection and improvement of natural human environment, mass media, etc.

According to their scope, normative technical documents are subdivided into state standards of the USSR, branch standards, republican standards, specifications and enterprise standards.

State standards for groups of homogeneous products and for specific products are prepared and approved by the decision of the USSR Gosstandart and Gosstroi (according to its assigned range).

Where the preparation of state standards for groups of homogeneous products and for specific products is not envisaged, the USSR ministries and government departments heading the manufacture of given products develop and approve branch standards or specifications for such products.

Republican standards extend to products of republican and local value, provided those products are not covered by state and branch standards or specifications of the USSR ministries and government departments. In the absence of state, branch, republican standards or specifications, ministries, government departments, cooperative and other social organizations either develop product specifications for their subordinate enterprises and organizations or ensure the product manufacture in compliance with design specifications approved as prescribed.

According to their scope, specifications are mandatory for enterprises, organizations and institutions engaged in manufacture, delivery, storage, transportation and maintenance of products.

Standardization in the Sectors of the National Economy and in the Union Republics

The USSR ministries and government departments and the Councils of Ministers of the Union Republics organize standardization and unification work in a relevant field, provide for fulfilment of standardization plans, timely implementation of and strict compliance with standards and specifications. Standardization services within ministries and government departments serve this purpose.

National and republican parent and base standards institutions form the major component of the State System of Standardization. In a way they are guidance and application centre for standardization responsible for the uniform technological policy in the sectors of the national economy and the Union Republics.

Parent standards institutions supervise standardization work in the relevant sectors of the national economy.

Base standards institutions, through leading research institutes, design and production engineering agencies and enterprises, supervise standardization work in their assigned groups of products or provinces and ensure their integrity in the sectors of the national economy.

Parent and base standards institutions are responsible for the technological level and commercial validity of standards and specifications they develop, for their indicators meeting the highest advances of domestic and foreign science and technology.

Integrated Systems of Standards

Integrated systems of standards developed and implemented in the USSR are intended to make the most of the standardization potential.

The system of product development and commercialization (SPDC) defines the procedure for conception, manufacture and application of products specified by relevant standardizing normative documents.

calibration and use, the activities of departmental standardization and metrological services;

initiate state testing, metrological certification and governmental calibration of measuring instruments;

assess parent institutions of ministries and government departments responsible for state testing of major industrial products and household-and-leisure-time goods;

review republican standards and specifications during state registration;

suggest the withdrawal, limited validity or revision of standards and metrological regulations unless they provide higher technical level and quality of products or contradict current legislation.

To perform their functions, the territorial bodies are equipped with testing and calibration facilities, computers, have at their disposal a stock of normative documents to cover all aspects of their activities.

Jointly with ministries and government departments, the USSR Gosstandart has developed and introduced as from January 1, 1970 a package of standards "State System of Standardization" (SSS). This package of correlated rules and provisions defines:

main aims and objectives of standardization;

objects of standardization, categories and types of standards;

organization and technology of standardization;

standardization work planning procedures;

procedures for development, introduction, circulation of standards and other normative documents and their modification as well as for state surveillance and departmental control of their introduction and observance;

common rules of arrangement, drafting and presentation of standards and their content.

The SSS specifies the uniform organizational and methodological principles and specific forms of nationwide, industry- and republic-oriented activities for associations and enterprises.

In compliance with the SSS, standardization services have been established in industries, enterprises, research institutions and design bureaus. Standards are being developed by experts of over 1500 parent and base standards institutions in all sectors of the national economy.

Nowadays there are over 20 major intersectoral systems of standards available in the USSR, especially intended to meet production, economic and social challenges. They comprise systems of design documents, computer-aided design, preproduction engineering, classification and coding; systems of occupational safety, environmental control and natural resource management standards.

The ongoing improvement and development of the State System of Standardization provide for, in particular:

planning of standardization work covering the system of advanced planning documents for standardization, five-year and annual plans specifying the organizational and methodological uniformity of standardization planning in the country at all levels of the national economy management;

preparation of standards for pioneer (modernized) products as well as preparation of standards for groups of homogeneous products, including state standards with advanced requirements;

customer involvement in preparation and approval of standards;

making sure that the validity and reviews of standards and specifications correspond to the specified dates of product renovation depending on the momentum of technological advancement.

Basics of the State System of Standardization (SSS)

Objects of standardization in the USSR include products and rules of their development, manufacture and use. Thus, standards can specify methods, terms, symbols, etc. to be repeatedly applied in science, technology, industrial and agricultural production, civil engineering, transport, other spheres of the national economy as well as in international trade.

Business relations between producers and users (customers, carriers and others) are chiefly regulated by standards and specifications which incorporate basic criteria (capacity, productivity, etc.), quality requirements and dimensional parameters; final acceptance procedures; control procedures (testing, analysis, measure-

At present this system comprises 12 state standards. These standards specify the procedure for development, agreement and approval of design specifications, examination of engineering documentation, prototype testing, authorization of commercialization of new and modernized products as well as in-process check testing of products; define the procedure for R&D efforts, patent reviews, including the analysis of technical level and trends in technology.

The uniform system of design documentation (USDD) covers a package of state standards extending to all types of design documents, to records, normative and manufacturing documents.

It is a system of ongoing technical and organizational requirements applied to ensure the mutual exchange of design documentation without redrafting between industries and individual enterprises, higher unification in design engineering, simplified forms of documents and their variety reduction as well as uniform graphic representation of design components and diagrams; mechanized and computerized development of documents.

The system will be further supplemented by a uniform anonymous classification scheme of symbols for products and design documents in mechanical and instrument engineering applicable to all industries, incorporating as its major component the USDD Classifier. This scheme of symbols being adopted will markedly promote the unification of engineering designs by using formerly developed products and their components and will support the automatic search and application of formerly developed products and their design documents.

According to the Comprehensive Programme of Further Promoting Cooperation and Developing Socialist Economic Integration among CMEA member countries, the USDD standards will underlie a package of CMEA USDD standards to be developed. Nowadays there are over 130 CMEA USDD standards drafted and implemented.

The USDD is to be further focused on providing documents to support CAD systems being standardized within the national programme.

The uniform system of preproduction engineering (USPE) cover a package of state standards as a prerequisite for introducing and launching products with a specified quality level while reducing the preproduction time and maintaining the high flexibility of the production arrangement.

The USPE standards specify scientific concepts of the total preproduction system improvement based on standardization. These concepts made it possible to formulate and commercially implement the uniform principles and model methods of unification and productibility assurance of product designs, type-designing of production processes and operations, standardization of readjustable tooling, automation of production and engineering.

Industrial adaptation of the USFE resulted in sectoral systems of preproduction engineering established within industries.

The uniform system of manufacturing documentation (USMD) covers a package of state standards that specifies uniform and correlated procedures for preparation, selection, presentation and circulation of manufacturing documents.

The main USMD package contains standards for presentation of documents covering the most common manufacturing techniques.

Being currently prepared is a new fundamental package of USMD standards intended to simplify the presentation of documents when operating CAD systems, robotized complexes, flexible manufacturing systems.

The system of occupational safety standards (SOSS) covers a package of standards incorporating requirements, regulations and rules to maintain man's safety, to preserve his health and physical ability at work, to curtail industrial injuries and occupational diseases, to improve labour conditions and increase productivity.

Occupational safety standards specify characteristics of the working environment, safety requirements to the major groups of production equipment and manufacturing processes, requirements to workers' protective means, safety requirements to buildings and structures as well as requirements' verification procedures.

The package of SOS standards comprises branch occupational safety standards allowing for labour conditions in a particular industry.

Using the SOSS as the base, the CMEA Standing Commission for Cooperation in Standardization has been developing, since 1976, the System of CMEA standards for labour protection. Many of the published CMEA standards are currently used for contractual purposes in economic and technological cooperation.

The system of environmental protection standards (SEPS) promotes preservation of natural complexes, natural resource management, equilibrium between production development and environmental stability in the interests of mankind.

The SEPS that covers all levels of the man-nature interaction comprises nine interrelated packages of standards.

These standards specify environment quality and status indicators, pollutant parameters, rates of resource use, measurement methods to determine the condition of natural features and the rate of technological environmental impact, requirements to devices, facilities and structures for environmental protection against pollution and other hazards.

The USSR is a member of the relevant Technical Committees of the International Organization for Standardization (ISO), ISO/TC 146 "Air Quality" and ISO/TC 147 "Water Quality".

The uniform system of corrosion, ageing and biodamage protection (USCABP) covers a package of state standards which specify requirements, rules, regulations and methods to ensure the corrosion protection of products and materials in development, manufacture, use (storage). The system embraces all existing types of corrosion protection. It also comprises standards which specify general requirements for selection of structural materials and their contacts, characterization and assessment of corrosibity of the environment.

Unified systems of documentation (USD) cover:

— unified systems of nationwide documentation (state standards and intersectoral, interdepartmental unified forms of nationwide documents conforming to these standards);

— unified forms of documents of other levels drafted on the basis of unified systems of documentation (intersectoral, interdepartmental, republican forms of documents and forms of enterprise documents). According to the development plans for automatic control systems, the country has established 16 unified systems of documentation.

The unified forms of nationwide documents included in the USD represent intersectoral (interdepartmental) forms to promote the interaction of ministries and government departments as well as forms of documents applicable to all ministries and government departments, their subordinate associations, enterprises, institutions and organizations. The latter are approved by ministries and developing agencies.

The unified system of organizational and regulatory documentation (USORD) covers a package of state standards which specify the most rational uniform forms and rules of presentation, filling-in and processing of orders, directions, reports, records, instructions, official letters and other like documents used in the country.

The uniform system of classification and coding (USCC) is a component of the automatic control system software. Its main purpose is to establish a uniform man-to-computer language for all types of engineering and economic data.

The USCC incorporates:

— a package of normative documents and guidelines;

— a package of classifiers of varied ranks;

— the automated system of centralized classifier maintenance (ASCCM);

— the system of implementation and implementation control.

The system-oriented national classifiers (NC) contain data on labour and natural resources; on products, operations and services in various spheres of the national economy; on the structure of the national economy and the administrative-territorial division of the country; on techno-economic and social indicators as well as on documentation. Presently established and operated are 29 NCs.

Since 1983, the CMEA Standing Commission for Standardization has been preparing the Programme of integrated standardization of microprocessors. The CMEA member countries have already approved the arrangement of the above Programme, which incorporates the following major sections: Methods and Procedures, System of Quality Parameters and Characteristics, Compatibility Requirements, Technical Requirements and Quality Control.

Currently availabe are over 29 standards of the Uniform system of programme documentation (USPD) to maintain the automatic control system software. Being developed is the second part of the USPD standardization programme providing for an integrated approach to the software standardization.

The existing state standards specify the description of ALGAMS, COBOL, FORTRAN, BASIC FORTRAN languages, PASCAL, ALGOL, ALGOL-68, PL/I, ADA and other high-level languages are to be standardized.

In December 1987, the Gosstandart initiated the development of a new System of State Standardization with the view to effective application of economic management techniques throughout conception, manufacture and use of products, covering the aspects of testing, certification, state surveillance and state approval. It is intended to establish a new integrated system of standards for product conception, manufacture and use (SPCMU) to supersede the SPDC, to amend and modify other integrated systems of standards. The new SSS version is scheduled to be published at the end of 1988.

Quality Assessment of Industrial Products

In the USSR, product assessment forms an organizational, technical and economic groundwork for planning high quality production, higher industrial efficiency, accelerated industrial introduction of technological advances. It is extensively used in all industries.

The new assessment procedure was adopted in 1984 ranking as top quality those products which by their performance meet or surpass the best world advances, comply with standards for newly developed products and/or products to be developed or updated, meet the production specifications. The first quality rank extends to products meeting production specifications which contain modern requirements of the kind stipulated in standards for serial production.

Product assessment according to the top and first quality ranks is the business of state evaluation commissions composed of experts from various industries.

Product assessment is the exclusive responsibility of parent state testing organizations and other test agencies authorized to test certain types of products. The state evaluation commissions are set up by the respective manufacturing-oriented ministry.

The state evaluation commissions are charged with verifying the compliance of assessed products with the best world advances, production standards and specifications as well as with inspecting the plant conditions.

The state testing system provides for testing of all major types of industrial products and household-and-leisure-time goods.

The system particularly emphasizes state testing of measuring instruments. Only those measuring instruments whose models were state tested and approved by the Gosstandard are allowed to be commercially produced in the country or imported.

The state testing system for measuring instruments extends to metrological examination of design specifications and requests of ministries and government departments for measuring equipment to be imported, state testing of measuring instruments to be commercially produced or imported in batches, metrological certifica-

National classifiers are introduced by ministries and the Union Republics through NC codes applicable to "in" and "out" documents exchanged between government departments.

The classifiers of techno-economic data established and used in the country are subdivided into national, intersectoral (interdepartmental), sectoral (departmental), republican and enterprise classifiers.

The national classifier of industrial and agricultural products (NCP) comprises collected computer codes and names of all industrial and agricultural products released nationwide and independently delivered by enterprises and organizations.

The NCP consists of two parts:
classifying part (C-NCP), which incorporates product lines encoded with six bit codes;
variety part (V-NCP), which incorporates products encoded with ten bit codes.

The C-NCP reflects the essential economic features consecutively detailed in five classifying stages. Consequently, all products are subdivided into classes, subclasses, groups, subgroups and types.

The uniform system of instrument engineering standards (USIES) is a common system for specifying requirements to measuring instruments and automated facilities at an intersectoral level to provide various types of their compatibility.

Structurally, the stock of normative documents in instrument engineering comprises four files:
1st file covers a package of state standards and guidelines for general rules, characteristics and requirements extending to all instrument engineering products;
2nd file covers a package of state standards specifying the range of quality parameters for groups of homogeneous instrument engineering products;
3rd file covers a package of state standards, usually in the form of general specifications for groups of homogeneous products;

4th file covers a package of branch normative documents (branch standards, specifications) for specific instrument engineering products.

Within this system there are approved lists of groups of homogeneous products and major types of instrument engineering products. It is a structural basis for the stocks of normative documents assigned to ministries and government departments engaged in the production of measuring instruments and automatic devices.

Nowadays the USSR has over 50 state standards available that specify general technical requirements and methods of testing of computers, computerized control complexes, peripheral facilities, and nine state standards specifying requirements to data carriers.

A package of standards covering the system of engineering documentation for automatic control systems is an independent development in this field. The package comprises 20 state standards specifying the composition and requirements to the content and presentation of engineering documentation for automatic control systems. Besides, a programme has been developed to establish the **Uniform System of standards for automatic control systems** (USS ACS).

Over 400 state standards have been introduced to specify requirements to multipurpose computers and peripheral facilities to support the systems.

Technologically, modern automatic control systems are based on the International System of Computers developed through the technological and economic cooperation of countries within the Intergovernmental Commission for cooperation between socialist countries in the field of computer technology. The above International System incorporates the Unified System of Computers (USC) and the System of Minicomputers (SMC).

Today they have developed and approved over 40 CMEA standards and over 30 normative documents of the Intergovernmental Commission for computer technology.

tion of measuring instruments produced or imported in pieces, and certification of reference materials. GOST 8.383—80 specifies two types of state testing of measuring instruments, viz. acceptance and check testing.

State acceptance testing is valid for the serial production prototypes of new models of measuring instruments as well as specimens of measuring instruments to be imported in batches. Positive test results justify the type approval by the Gosstandart and licensing of production (importation) and marketing of the pilot lot of measuring instruments. Every year the Gosstandart approves of nearly 500 new types of such instruments.

State check testing is valid for prototypes of measuring instruments manufactured and periodically imported in batches: from the pilot lot (including the case when the production is taken over by another manufacturer); when the license for serial production (batch importation) and marketing in the USSR expires; in case of modifications in the instrument design or its production techniques affecting the specified metrological characteristics. It is intended to verify the compliance of measuring instruments manufactured or periodically imported in batches with the approved types and normative documents (e.g. when degradation data are available).

Positive test results justify the Gosstandart's licensing of serial production (ongoing serial production) and marketing in the USSR.

State acceptance testing of measuring instruments is conducted by metrological institutes, centres of standardization and metrology, laboratories of state supervision over standards and measuring equipment, parent state testing organizations, and parent (base) institutions of ministries' (government departments') metrological service. Governmental testing commissions are set up by mutual agreement between the Gasstandart and ministries (government departments).

Certification in Mechanical Engineering

In the USSR, the National Certification System in mechanical engineering is structured by the Gosstandart, the State Planning Committee, the State Committee for Science and Technology, branch ministries and government departments as parent (leading) organizations in product lines, product manufacturers and users.

The range of products to be certified is specified in bilateral and multilateral agreements concluded by the USSR for deliveries and joint development projects, specialization and cooperation agreements as well as in individual certification arrangements and other arrangements for economic, trade, scientific and technological cooperation.

In the USSR, certification in mechanical engineering is accompanied by assessment of manufacturers of certified products to be sure the plant conditions provide the required product quality. The assessment procedure corresponds to that specified by the relevant international certification system or arrangement.

The assessment of the certified products' manufacturer also covers its testing laboratory evaluation for conformity with the requirements to be met by testing organizations and units. The assessor's survey report is submitted to the Gosstandart which, in case of positive survey results, grants the relevant certificate to the assessed manufacturer of certified products.

Accreditation of testing agencies (i.e. formal recognition of their right to carry out specific tests) complies with the procedure specified by the international certification system or the applicable international certification arrangement.

Where certification test results are positive, the product tested receives the certificate of conformity and/or is marked by the mark of conformity directly by the manufacturer.

The certification information procedure is established in international certification systems or arrangements. The Gosstandart annually issues information on certification in mechanical engineering, including a list of products certified in the USSR, a list of accredited testing agencies, a list of assessed manufacturers of certified products, a list of certification documents.

Standardization within CMEA

The CMEA standard is regarded as the CMEA normative document for standardization. It is drafted and approved as prescribed by the CMEA Statute of Standards and state the work results of the CMEA standards bodies.

According to the Convention on the Application of CMEA Standards, all CMEA standards approved as prescribed with the participation of the Soviet side are mandatory for application in the Soviet economy as state standards without amending or redrafting or by way of adoption of CMEA standards in the USSR state standards, branch and republican standards, provided the criteria of the USSR standards are in full conformity with those of CMEA standards.

USSR Involvement in International Standards Organizations

The USSR is an active member of ISO — International Organization for Standardization — which besides drafting international standards develops concepts and major guidelines for standardization work as well as its methodology.

The Soviet Union is a permanent member of the Council, it is represented in practically all ISO governing bodies. The USSR heads the secretariats of 10 technical committees, 29 subcommittees and 14 working groups. Besides, the USSR is an active member of 141 ISO technical committees.

The USSR is also a member of the International Electrotechnical Commission (IEC), which promotes standardization in electrotechnical industry, electronic engineering, telecommunications and instrument engineering.

Through its 22 ministries (government departments) and their subordinate 95 parent (base) standards institutions the USSR is involved in 197 out of total 203 IEC TCs and SCs.

In the 1970s, the IEC scope was extended to include certification. In 1976, the IEC initiated the IEC Quality Assessment System for Electronic Components (IECQ) which came into effect in 1982.

The USSR joined the IECQ system in 1981. The leading functions for the IECQ membership are entrusted to the Gosstandart. In 1982, the Gosstandart, in compliance with the System Rules, adopted the National Regulations to supervise the quality of certified electronic components, which specifies the organization of the USSR membership in the IECQ system. The Regulations entrust the Gosstandart authorities with the functions of national bodies responsible for certification in compliance with the IECQ statutory documents.

Provision with Standards and Specifications

GOST 1.7—85 specifies the procedure for providing enterprises with standards and specifications as well as for getting information about the existing, newly approved, superseded and withdrawn standards and specifications.

All enterprises concerned are provided with state standards by the Gosstandart Central Office for standards distribution through the standards distributive network, according to single requests and through retail-dealers. As far as the distributive network is concerned, standards are available for subscriptions enclosed to the monthly reference journal USSR State Standards, within a month after a standard is published.

The reference journal USSR State Standards available through the Soyuzpechat Central Agency and its branches contains information concerning all existing, newly approved, superseded and withdrawn state standards.

Branch standards for sectoral purposes are supplied by the single distributor appointed by the ministry (government department). The distributor's title and address are communicated to all ministries and Council of Ministries of the Union Republics concerned. Enterprises receive copies of republican standards of their republic from intersectoral territorial bodies for technological information. The reference journal Branch and Republican Standards available at standards' shops contains information concerning all existing branch standards.

PROTECTION AND FORMS OF TRANSFER OF FOREIGN TECHNOLOGY TO THE USSR

The USSR is a party to a number of international agreements in the field of protection of industrial property.

Multilateral Agreements

1. The Paris Convention for the Protection of Industrial Property of 20 March, 1883.
2. The Treaty of Patent Co-operation (PCT) of 19 June, 1970.
3. The Strasbourg Agreement on International Patent Classification of 24 March, 1971.
4. The Budapest Treaty on International Recognition of Depositing Microorganisms for the Purposes of Patenting Procedure of 28 April, 1977.
5. The Madrid Agreement for the International Registration of Trademarks of 14 April 1891.
6. The Treaty on Registration of Trademarks of 12 June, 1973.
7. The Nice Agreement on International Classification of Goods and Services of 15 June, 1957.

Agreements Concluded between CMEA Member-Countries

1. The Agreement on Legal Protection of Inventions, Industrial Universally Useful Samples and Trademarks in the Process of Economic, Scientific and Technical Co-operation of 12 April, 1973.
2. The Agreement on Unification of Requirements for Compiling and Submitting Applications for Registration of Inventions of 5 July, 1975.

3. The Agreement on Mutual Recognition of Certificates of Authorship and Other Documents for Legal Protection of Inventions of 18 December, 1976.

Bilateral Agreements

1. The Agreement between the Government of the USSR and the Government of the French Republic on Mutual Protection of Industrial Property Rights of 19 May, 1970.
2. The Agreement Between the Government of the USSR and the Federal Government of the Austrian Republic on Legal Protection of Industrial Property of 10 April, 1981.

Protection of Research and Development and Artistic Design Work in the USSR

Research and development and artistic design works are accorded protection in the USSR on the basis of the norms of the law of discovery and invention law, as well as the right to an industrial design and contractual law.

Registration of Scientific Discoveries

The USSR is the first country to have enacted laws to protect scientific discoveries by means of their government registration. Following the USSR registration of scientific discoveries has been instituted in a few other countries (Bulgaria, Mongolia, Cuba, Czechoslovakia). In Soviet law a discovery is awarded recognition as such, if it has established formerly unknown objective laws, properties and phenomena of the material world widening radically the boundaries of knowledge.

The authenticity of scientific conclusions claimed as a discovery is confirmed by government scientific experts who establish the priority of authorship. The authors of discoveries are granted rights and privileges by law. In particular, the author of a discovery confirmed by a diploma is entitled to a reward. Foreign nationals who are the authors of discoveries and their successors enjoy the rights laid down in Soviet law on a par with citizens of the USSR, if the relevant discovery was made in collaboration with a Soviet citizen or in performing work at an enterprise, organization or institution located on Soviet territory.

The Specific Features of Legal Protection of Inventions and Industrial Designs in the USSR

Soviet laws provide for the possibility of protection of new technical decisions as inventions, if they conform to the criteria of protection established in the normative acts. Protection of industrial designs is extended to new artistic solutions which determine the external aspect of the relevant article and meet the aesthetic requirements of a technical nature, and which are capable of industrial reproduction and a positive effect.

The authors of such works are accorded a choice between the different forms of protection — a Certificate of Authorship or a Patent (in the event of an invention), a Certificate or a Patent (in the vent of an industrial design).

The chief distinction in the character of the rights issuing from a Certificate of Authorship (or from a Certificate) and a Patent is as follows:

The exclusive right to an invention protected by a Certificate of Authorship and to an industrial design protected by a Certificate is vested in the state, while the author is granted a number of privileges and rights cession of the Patent is determined by agreement of the parties. A contract or another document for the issue of a license or for the cession of a Patent is jubject to registration at Goskomizobretenii. Failure to meet this requirement entails non-validity of said instruments.

A person who has infringed the exclusive right of the patent holder to an invention or an industrial design is obliged to pay damages in accordance with the civil procedure law of the USSR and the Union Republics.

The Patent is terminated short of the term in the following cases:

in case of a delay in the payment of duty;

in response to a statement by the patent holder submitted to Goskomizobretenii.

A valid Patent may be exchanged by Goskomizobretenii for a Certificate of Authorship (Certificate) by a request made under the procedure and on the terms determined by Goskomizobretenii.

An enterprise, organization or institution, which before submitting an application for a patent on an invention[1] or an industrial design and regardless of the author (patent holder) used an indentical solution of another person on Soviet territory or made all the necessary preparations for that, retains the right to its further use without compensation (right of prior use).

Foreign nationals and juridical persons residing or permanently domiciled abroad handle affairs in the USSR to obtain protection instruments on inventions and industrial designs, as well as to preserve the validity of patents through the Chamber of Commerce and Industry of the USSR (CCI). In cases concerning the issue of a Certificate of Authorship for an Invention and a Certificate for an Industrial Design no duties are levied.

In cases concerning the issue of patents on inventions and industrial designs patent duties are to be paid under the procedure and in sums laid down by the Council of Ministers of the USSR. Applications for the issue of

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[1] In case of a foreign convention application — up to the date of convention priority.

a protection instrument on an invention or an industrial design, as well as international applications concerning inventions envisaged in the Treaty on Patenting Cooperation are submitted by Soviet citizens and juridical persons, as well as by foreign nationals residing in the USSR to Goskomizobretenii, which is a government department authorized to handle international applications.

An application for the issue of a Certificate of Authorship is submitted by the author (co-authors) or his (their) successors. An application for the issue of a patent is submitted by the author or his successor naming the true author in the application.

The requirements for application forms to obtain protection instruments on inventions and industrial designs and the procedure of expert examination are laid down by Goskomizobretenii.

The priority of an invention or an industrial design is established, as a rule, by the date of delivery of the application to Goskomizobretenii. A person intending to take advantage of the priority of an earlier submitted application, on the basis of an international treaty or agreement to which the USSR is a party, is required, when submitting an application to Goskomizobretenii, to present a statement to this effect, indicating the country where the invention was first declared and the date of submitting the relevant application in the said country.

An open display of an invention in exhibits installed at official or officially recognized international exhibitions organized on Soviet territory is not qualified as prejudicial to the novelty of the invention, if the application was submitted by its author or his successor to Goskomizobretenii with the observance of the provisions of the law within 6 months of the date of displaying the exhibit on the exhibition grounds. An analogous 6-month grace for novelty is granted to the author of an industrial design in case of open publication, open utilization or open display of the said industrial design on the exhibition grounds.

The priority of an industrial design used in an exhibit displayed at an official or officially recognized international exhibition organized on Soviet territory is established by the date of starting an open display of the said exhibit on the exhibition grounds, if the appliof a personal non-property and property character. The holder of a patent on the other hand, is the one who has the exclusive right to an invention (industrial design).

When effecting a transfer of technologies and production processes to the USSR foreign firms are awarded both Certificates of Authorships and Patents on their works. For instance, a total of 1,493 US patents were registered in the USSR as of 1 January, 1987.

The exclusive right of the state to an invention protected by a Certificate of Authorship is valid within 15 years from the date of submitting an application. A Patent on an invention is issued for a period of 15 years from the date of submitting an application to the State Committee of the USSR for Inventions and Discoveries (referred to as Goskomizobretenii elsewhere in the text).

A Certificate on an industrial design takes effect on the date of priority and is valid without a limitation as to time. The exclusive right of the state to an industrial design is effective during ten years. The exclusive right to an industrial design based on a patent is effective within 5 years from the date or priority of this design. This term may be extended at the request of the patent holder but for no longer than 5 years.

The exclusive right to an invention based on a Certificate of Authorship or a Patent is not considered infringed in the following cases:

(1) the use on board sea-going or river ships of the facilities making the object of an invention protected by a Certificate of Authorship or a Patent, in the ship hull, in the engine, rigging, instruments and other equipment during the stay of a ship, temporarily or accidentally, in the territorial waters of the USSR, provided the afore-mentioned facilities are used exclusively to meet the needs of the ship;

(2) the use of the facilities which constitute the object of an invention protected by a Certificate of Authorship or a Patent in the construction or in the operation of aerial or ground vehicles of transportation or in the auxiliary equipment for such vehicles, when the said vehicles of transportation are staying, temporarily or accidentally, on Soviet territory.

These actions are not qualified as violations of exclusive rights, if sea-going or river ships, aerial or ground vehicles of transportation are owned by nationals or organizations of the countries which accord identical rights to Soviet citizens and organizations.

If the object of an invention is a substance produced by a chemical process, a medicine, a method of prophylaxis, diagnosis or treatment of human or animal diseases, the invention is to be protected by a Certificate of Authorship but not by a Patent. Certificates of Authorship are issued on new varieties and hybrids of agricultural crops and other cultivated plants, breeds of farm animals and poultry, their highly productive factory and inbreeding types and factory lines, new types of fur animals and new strains of silkworm.

A joint invention or an industrial design made in connection with the performance of an assignment by a Soviet or a foreign organization may be awarded a Patent, as an exception to the rule, by mutual consent. In such an event the patent on joint invention or an industrial design is issued in the name of the relevant Soviet or foreign organizations, with indication in the patent of the full name of each co-author, while the Soviet authors of inventions or industrial designs enjoy the rights and privileges accorded to the authors of inventions (industrial designs) protected by Certificates of Authorship (Certificates).

Foreign nationals who are authors of inventions, as well as their successors (including juridical persons) enjoy the rights envisaged in Soviet legislation on a par with citizens (juridical persons) of the USSR.

The right to a patent on an invention, as well as the exclusive right to an invention based on a Patent may be transferred to other persons under a statutory procedure.

No one is entitled to use an invention or an industrial design protected by a Patent without the consent of the patent holder.

The Patent holder is entitled to issue a permit (license) for a compensation or free of charge, for the use of an invention or an industrial design, or to cede a patent completely under established procedure. The amount of compensation for the issue of a license or cation was submitted by the author of the sample within 6 months of the said date.

The author of an invention who has obtained a Certificate of Authorship and the author of an industrial design who has obtained a Certificate are entitled to a reward. In particular, a reward for the use of an invention or an industrial design is paid to the author (co-authors), if the invention or the industrial design has been applied as follows:

(1) used in the Soviet economy, in particular, in imported products exploited;

(2) used in documents transferred to other countries by way of economic, scientific and technical cooperation;

(3) used in projects built by enterprises and organizations of the USSR abroad by way of rendering technical assistance to foreign countries;

(4) marketed by selling a license abroad.

The reward for the use in the Soviet economy of an invention or an industrial design is paid to the author (co-authors) depending on the positive effect obtained from the use of the invention or industrial design. This effect can be manifested in some specific sum of saved money or in a real value, taking account of the technical or other positive effect and the scope of application of products incorporating the invention or the industrial design.

Disputes over the right of prior use and over a violation of the exclusive right of the patent holder are examined in a court of law in accordance with the Fundamentals of Sivil Legislation of the USSR and the Union Republics.

The Legal Protection of Trademarks

Trademarks in the USSR are one of the most important kinds of industrial property and have a major role to play in the economic activities of enterprises and firms. The USSR has accorded registration to trademarks which have presented themselves in a good light on the world market, such as Kodak, Xerox, Olivetti, Hermes, Adidas, Christian Dior, Coca-Cola, and others.

In accordance with Soviet legislation the trademarks are symbols incorporating names and designs registered under the statutory procedure and serving to provide a distinction between goods in the same class manufactured by different enterprises.

Before use in the USSR all trademarks are subject to compulsory registration with Goskomizobretenii. The use of designations as trademarks before their registration is forbidden. A breach of the rules in force is punishable by administrative sanctions and fines.

The exclusive right to use trademarks is protected by the state and is endorsed by a Certificate issued by Goskomizobretenii.

Operations linked with the registration of trademarks are subject to collection of duty. Foreign nationals and juridical persons residing or permanently domiciled abroad handle affairs in the USSR in the registration of trademarks through the Chamber of Commerce and Industry of the USSR.

An application for the registration of a trademark and the issue of a Certificate of Trademark is submitted to the All-Union Scientific-Research Institute of State Patent Expertise (VNIIGPE) of Goskomizobretenii.

The term of validity of a Certificate of Trademark is set for no longer than 10 years and runs from the date of delivery of the application for registration of the trademark and the issue of the relevant Certificate at VNIIGPE.

Enterprises, organizations or associations which have registered trademarks in their names enjoy the exclusive right to use the relevant trademark on the goods throughout Soviet territory. The use of a trademark without the consent (license) of its registered owner is forbidden.

The owner of a rigistered trademark is entitled to grant a license or cede the exclusive right of using a trademark to enterprises, organizations and associations which have the status of a juridical person and pursue productive or marketing activities.

A license may be granted provided it is stipulated in the license agreement that the goods of the successor will not be inferior in quality to the goods of the registered trademark owner and that the latter will verify the fulfilment of this condition.

An agreement for issuing a license and an agreement for ceding an exclusive right to use a trademark should be registered with Goskomizobretenii. Pending such registration the agreement is not considered valid.

Enterprises, organizations and associations which are the registered owners of a trademark are required to use it, that is, actually display it on their goods or their packaging. In case a trademark has been out of use for five years from the date of registration, Goskomizobretenii is empowered to cancel its registration.

The term of validity of a Certificate of Trademark may be prolonged by no more than 10 years on each successive expiry.

Marks of service are equated to trademarks. All of the aforesaid concerning trademarks fully applies to marks of service.

Contractual Transfer of Know-How

The license agreement is the main form of transfer by foreign firms of inventions, industrial designs and trademarks to Soviet partners. Foreign firms are actively involved in the license trade with Soviet organizations. For instance, over the last five years the USSR has sold to the United States three times as many licenses as it has bought from the United States.

As for solutions incapable of being protected and not protected by the norms of invention law, they may be transferred as know-how. In Soviet literature on normative acts and laws, know-how implies what is not universally known and practically applied in productive and economic activities, such as:

— technical knowledge and experience of various kinds which are not accorded legal protection abroad, including methods, techniques and habits required for design work, calculations, building and manufacturing certain articles, scientific research and development and start-up works; development and use of technological processes; compositions and recipes of materials, substances, alloys, etc.; methods and techniques of medical treatment, prospecting for and extracting minerals;

— knowledge and experience of an administrative, economic, financial or other nature.

The USSR has no legislative regulation of relations involved in identifying, protecting and transferring know-how. Agreements on transfers of know-how are governed, as a rule, by the regulations referring to license agreements.

Trade in patents, licenses and know-how is carried out through the specialized foreign trade association Licensintorg, as well as some other foreign trade associations.

Within the system of a number of industrial ministries and government departments there have been founded all-union self-supporting foreign trade organizations (associations) handling export and import operations in their endorsed nomenclature of goods and services and other kinds of foreign economic activity.

License agreements concluded by Soviet organizations with foreign firms have, in the main, the same form and contain the same legal provisions that are included into contracts concluded in world economic practices.

Settlements under license agreements depend on the value of works transferred under agreements, the type of license (exclusive or non-exclusive), the scope of production under a license, etc. In mutual settlements between the parties such terms are used as, for instance, periodical percentage payments, lump sum payments, etc.

Transfer of processes in the USSR may be effected in such forms as:

— contracts of the short-term type for delivery of goods and services (industrial equipment, tools, research and development works, joint research and development works, or engineering);

— contracts of the long-term type for a programme (delivery of industrial equipment or technological processes followed by payment for ordered delivery on the basis of the end product of manufacture);

— contracts of the long-term type for a programme (purchase of industrial equipment or technological processes followed by compensation with end products of the relevant operation, with other commodities or partly in cash);

— contracts for joint research and development or production design work;

— contracts of the intermediate-term type for delivery, installation and servicing of an industrial enterprise, including the training of production and technical personnel;

— contracts for joint design work and subsequent industrial construction;

— contracts for scientific and technical consulation.

One of the most promising forms of scientific, technological and economic cooperation between the CMEA member- countries is establishing direct ties between enterprises and organizations of socialist nations. Work has got under way to establish in the Soviet Union joint ventures, international associations and organizations of the USSR and other CMEA member-countries. In this connection, Soviet organizations have been invested with the right to negotiate in accordance with their own judgement the terms of transfer and acquisition of documents containing inventions and know-how and to conclude on their own behalf the relevant contracts (agreements) directly or through the All-Union Association Vneshtekhnika of the State Committee of the USSR for Science and Technology or through foreign trade organizations (associations) of the ministries and government departments of the USSR authorized to handle export and import operations.

For the purposes of further developing trade, economic, scientific and technical cooperation with capitalist and developing countries on a stable and mutually beneficial basis joint Soviet-foreign ventures involving firms of said countries are being set up on Soviet territory.

Soviet legislation provides for the possibility of contributing rights of using inventions and know-how to the authorised fund of a joint venture along with other property rights.

Joint ventures accord protection to industrial property owned by them in accordance with Soviet legislation in the form of patens as well.

The procedure for the transfer of industrial property rights to a joint venture by its participants and to its participants by a joint venture, as well as the procedure for commercial use of these rights and their protection abroad is laid down in the constituent instruments.

THE USSR CHAMBER OF COMMERCE AND INDUSTRY WITHIN THE SYSTEM OF FOREIGN ECONOMIC RELATIONS

The USSR Chamber of Commerce and Industry (CCI USSR) is a non-government organization facilitating the development of trade, economic, scientific and technical ties between the USSR and other countries, as well as joint ventures both on Soviet territory and abroad.

The central objective of the Chamber of Commerce and Industry of the USSR is to contribute by all its public and economic activities to the fulfilment of the foreign economic programme of the USSR oriented to a deeper involvement of the country in the international division of labour, to a more complete application of the significant potentials of the economy, science and technology of the USSR for widening its trade, economic, scientific, technological and production ties with other countries.

In the conditions of a cardinal restructuring of the system of management and organizational structure of the foreign economic relations of the USSR, one of the Chamber's important tasks is to give foreign partners in trade and joint venture regular information about the organization and techniques of Soviet foreign commerce, the new economic mechanism and new conditions of the economic activities of socialist enterprises, the new powers of the ministries, government departments, their foreign trade organizations and the foreign trade firms of industrial associations and enterprises in the sphere of foreign economic activity.

Today, when the legal basis and conditions are being created for joint Soviet-foreign venture, the CCI of the USSR constantly and effectively assists Soviet industrial associations and other economic organizations in searching for and selecting foreign partners, supplies the potential Soviet and foreign partners of joint ventures with relevant information and advise on legal, organizational, financial and other questions.

At present, more than 5,000 industrial associations, enterprises, scientific research institutes, foreign trade and other economic organizations of the USSR are full members of the CCI of the USSR, which take advantage of the Chamber's service on a first-priority and privileged basis. However, not only members of the CCI of the USSR but also other enterprises and organizations of the country are given qualified assistance and support by the Chamber without any discrimination whatsoever in establishing mutually beneficial business contacts with foreign firms and organizations.

The supreme governing body of the Chamber of Commerce and Industry of the USSR is the general assembly which meets once in five years. The general assembly elects the board of the Chamber for a term of five years.

The current activities of the Chamber are directed by the Presidium of the CCI of the USSR, which consists of the President, Vice-Presidents, the General Secretary of the Chamber, and the Presidium members.

In conformity with its Charter the Chamber of Commerce and Industry is a juridical person, has separate property, and is entitled to acquire on its own behalf property and personal non-property rights, to bear obligations, to sue and be sued in courts of law or arbitration tribunals.

The CCI of the USSR and the 14 Chambers of Commerce and Industry of the Union Republics along with their subordinate organizations, enterprises and branches form the system of the USSR Chamber of Commerce and Industry. The system of the CCI of the USSR incorporates all-Union self-supporting associations rendering on a commercial contractual basis assistance to Soviet and foreign organizations, enterprises and firms a complete complex of services connected with international trade and economic, scientific and technical, and production activities.

The system of the CCI of the USSR also includes the World Trade Centre (WTC) (Centre for International Trade, Scientific and Technical Cooperation with Foreign Countries) — V/O "Sovincentr", which is called upon to facilitate the development of trade, economic, scientific and technical cooperation between foreign countries and the USSR. Representatives of foreign firms accredited in the USSR and businessmen arriving in the USSR with the aim of setting up business contacts, attending congresses, conferences, seminars, symposia, etc., are provided at the WTC with the most favourable conditions for living, work and rest.

The complex of the World Trade Centre incorporates:

— the administrative building accommodating the representative offices of foreign firms, banks and air companies accredited in Moscow;

— a de luxe hotel with 600 suites;

— an apartment hotel for long residence of businessmen and members of their families;

— an underground garage and an open-air parking lot;

— restaurants, bars, a sport and recreation complex.

The WTC has a congress hall with a system of simultaneous translation and a cinema projector unit, a cinema and concert hall, a few conference halls and rooms for business meetings and negotiations.

The WTC offers its clients information and reference services, a computer centre for collective use with outlets to international information networks, a business library, Russian language courses and other services and conveniences.

Through the agency of V/O "Sojuzpatent" the CCI of the USSR performs the functions of a patent attorney in the Soviet Union, carries out on a commission from Soviet citizens and juridical persons the operations of patenting Soviet inventions, useful models and industrial designs abroad. On a commission from foreign nationals and juridical persons V/O "Sojuzpatent" handles analogous operations in obtaining protection documents on foreign inventions, useful models and industrial designs in the USSR. The Association undertakes registration of foreign trademarks in the USSR and trademarks of Soviet enterprises and organizations abroad.

Also on a commission from Soviet and foreign nationals, enterprises, organizations and firms, V/O "Sojuzpatent" implements measures to protect their rights based on national legislation and international agreements on the protection of industrial property.

It is important for a foreign businessman to know that V/O "Sojuzpatent" fulfils commissions for translation of patent materials from foreign languages into Russian and from Russian into foreign languages; fulfils orders for a patent search, for making copies of patent and scientific and technical publications; explains to foreign correspondents and clients questions relating to the "Statute on Discoveries, Inventions and Rationalization Proposals" effective in the USSR and other normative acts on protection of industrial property.

The system of the CCI of the USSR incorporates a specialized all-Union self-supporting association, which prepares and conducts international, national, and other foreign exhibitions in the USSR — V/O "Expocentr".

V/O "Expocentr" provides complete services to foreign exhibitors willing to participate in exhibitions held on Soviet territory. The exhibition programme of V/O "Expocentr" is published in the Soviet and foreign press. A foreign businessman may find it interesting to know that V/O "Expocentr" is in a position to open to foreign nationals, in any point of the USSR, a specialized exhibition of commodities of one or several firms with a full complex of services to the exhibitors.

Every year, about 200 international, national and specialized foreign exhibitions are held in Moscow, the capitals of the Union Republics and large industrial centres of the USSR with the assistance and participation of V/O "Expocentr".

te issues on different branches of industry. The journal is published by the All-Union Institute of Scientific and Technical Information of the USSR Academy of Sciences and the State Committee of the Council of Ministers of the USSR for Science and Technology (GNTK SSSR). Foreign nationals and organizations can take out a subscription to it or find it in any large library in the USSR and abroad.

Foreign economic information is published in a few periodicals. These are the journal Foreign Trade with the statistical supplement (yearbook) Foreign Trade of the USSR for the relevant years and the journal Soviet Export published by V/O Vneshtorgreklama, which publish information on the economic activities of Soviet foreign trade organizations, industrial enterprises, the achievements of the USSR in the economy, science, technology and culture.

The progress of Soviet general engineering, instrument-making, means of transportation, science and technology in different areas, advertisements of new Soviet machines and equipment, the system of export services, training of foreign specialists are the steady subjects of special editions of Soviet foreign trade organizations, which are also issued by V/O Vneshtorgreklama.

The USSR Chamber of Commerce and Industry (CCI) also handles a significant volume of information work, mostly in the main areas of its activity and in securing business contacts between Soviet enterprises and organizations, on the one hand, and their foreign partners, on the other. The CCI issues information collections, bulletins, reference guides, booklets, methodological materials, advertising booklets, etc. The information collection International and Foreign Exhibitions in the USSR appears in foreign languages. The bulletin Direct Contacts published since 1987 informs foreign partners of the possibilities and willingness of Soviet enterprises to find foreign partners for scientific and technical cooperation and production cooperation. The new information and methodological journal Mercury of CCI published sinde 1988 contains extensive information, in particular on the initial experience in setting up joint ventures on Soviet territory and abroad, on new forms of international cooperation and interaction on third markets, information and commentaries on new normative and statutory acts and documents regulating foreign economic activities in the USSR under the new conditions of economic management.

The Centre for International Trade, Scientific and Technical Cooperation with Foreign Countries has set up an information and reference service on the basis of an electronic computer centre for collective use, which offers to foreign clients through the Informtorg firm of V/O Sovincentr machine time of computers, trade and economic, scientific and technical, cultural and everyday information. Besides, information can also be ordered and obtained from the Consultation Centre of CCI.

The Centre supplies foreign clients with information on various questions of foreign economic activities in the USSR and, what is most important, as it follows from its name, given consultation on organizing foreign economic relations and analysing new developments in the country's economy. The Consultation Centre, for a definite fee of course, will help you with advice and practical actions to achieve the aims of your organization.

Foreign businessmen can also benefit from various consultation services in the field of the legal regulation of foreign economic activities, legal, economic and statistical information in the form needed by the client. You may also order marketing research to be made for you and learn how your possibilities can be used to your advantage on the Soviet market in the conditions of the radical reform of foreign economic activities in the USSR.

Specialists of the Consultation Centre will quickly and efficiently select your potential partners, offer you the most effective forms of cooperation: joint ventures, direct production, scientific and technical ties, cooperation in manufacturing specified articles or in rendering

Since 1988, V/O "Vneshtorgreklama" has also been within the system of the CCI of the USSR. This Association renders to Soviet and foreign clients not only a full complex of advertising services but also advice on procedure, organization and subjects. The part played by V/O "Vneshtorgreklama" in Soviet foreign trade advertising is described in detail in the section "Advertising in the USSR".

Since January 1, 1988, the system of the CCI of the USSR has had a new component — V/O "Sovexpert", a new all-Union self-supporting association specializing in expert examination of export and import goods to orders of Soviet and foreign organizations and firms for the purpose of verifying their quality and quantity. Experts of the Association check the correspondence of the actual quality and quantity of goods to those stipulated in the contracts, verify the standards of tare, packaging and marking, control cargo-handling operations, carry out laboratory analysis, for arbitration purposes in particular.

Certificates of expert examination which, at the client's request, are available in Russian, English and other languages, furnish the grounds for legal claims.

Functioning under the CCI of the USSR there are two standing courts of arbitration — the Foreign Trade Arbitration Commission (FTAC) and the Maritime Arbitration Commission (MAC), as well as the Average Adjusters' Bureau.

FTAC settles disputes arising out of contractual and other relations at civil law between subjects of law from different countries in maintaining foreign trade, economic, production and scientific and technical ties.

MAC settles disputes arising out of contractual and other relations at civil law arising from merchant shipping at sea, in particular relations of chartering ships and freight transportation by sea, tugging, services at sea, insurance, collision and salvage of ships, causing damage in fishing operation at sea, etc.

The Average Adjusters' Bureau certifies general averages, complies average statements, i.e., calculation of distribution of general average losses between ship, cargo, and freight. In identifying the type of average, as well as distributing losses between the parties listed as general average, the adjusters are guided by the "Code of Merchant Marine of the USSR", unless stipulated otherwise by agreement between the parties.

INFORMATION AND CONSULTATION SERVICES TO FOREIGN BUSINESSMEN ON A VISIT TO THE USSR ON FOREIGN ECONOMIC AND COMMERCIAL QUESTIONS

The USSR issues on a regular or periodic basis a large number of various publications containing an impressive amount of information on a diversity of questions of the domestic and foreign economic activities of the state, its administrative bodies,economic, in particular foreign trade, organizations and firms.

Information made public in open sources constitutes, according to the terminology of marketing, "the secondary data sources". Processed and systematized, they are published in books and booklets of the government-run Statistika Publishers bringing out annually 150—180 titles in a total printing of over 3 million copies. Statistical yearbooks published in the USSR contain information whose structure is analogous to that of the data published by the United Nations: the country's territory and individual regions, population, main indicators of the state of the economy as a whole and its economic complexes — in industry, agriculture and forestry, transport and communications, domestic and foreign commerce; information on capital investments, employment of the able-bodied population and earnings, the socio-economic sphere, science, education, culture and the arts.

Information on individual branches of science and technology is collected and processed at the central scientific research institutes of technical information and techno-economic research, which have automated information retrieval systems and can handle a definite volume of orders for preparing information and references at the request of foreign clients.

All literature published in the USSR and containing economic information is made available in abridged form to the persons and organizations concerned through the abstracts journal Ekonomika and its separaservices for pay, etc. At more advanced stages of cooperation the Consultation Centre will help you prepare the requisite documents, make a techno-economic estimation of the cooperation project on the basis of up-to-date methods.

The Centre has practically unlimited possibilities for rendering consultation services, since it is in a position to involve any specialists in the work on your orders, in particular, experts from among leading Soviet scientists, practical workers of ministries, government departments and organizations. It is clear from the foregoing that the Centre renders services on an individual basis and bears responsibility only for the choice of specialists commissioned to perform the work stipulated in the agreement with a foreign client. Consultation of a specialist, as it is common international practice, reflects his own point of view as an expert on the relevant problem and is not evidence of the position of the organization where he has his main place of employment.

Since the USSR Chamber of Commerce and Industry is, in accordance with its status, a non-government organization, consultations received by foreign clients through the Consultation Centre cannot be regarded as a reflection of the points of view of government institutions and organizations. In any event, following the best traditions of international consultation practice with observance of the main principles of the codes of the International Chamber of Commerce, the Consultation Centre organizes fulfilment of orders from foreign clients in an atmosphere of comradely goodwill to rule out in the activities of the Centre the very possibility of a conflict between the client and the specialists invited by the Centre.

Strict confidentiality of research results submitted to the client and of the very fact of his request addressed to the Centre is guaranteed.

The following is a tentative list of services offered for pay in foreign currency to foreign firms and organizations:

— consultation on legal regulation of the foreign economic activities of the USSR, including current legislation, court and arbitration practice, order of enforcement and responsibility for violations of contractual obligations;

— consultation on the development and practical application of new forms of foreign economic cooperation, the founding and operation of joint ventures, international associations and organizations, Soviet labour laws, customs regulations and formalities, taxation and the status of foreign nationals on Soviet territory;

— consultation on the patenting in the USSR of foreign inventions and industrial designs and registration in the USSR of trademarks of foreign nationals and juridical persons;

— management consultation in setting up joint ventures on Soviet territory;

— organization of expert findings on questions of Soviet law;

— consultation on maritime law of the USSR and legal questions of merchant shipping;

— organization of endorsement by the USSR Chamber of Commerce and Industry of certificates of origin of commodities exported from the USSR, bills and other shipping documents for these commodities, making out certificates of the circumstances of force majeure which have interfered with the execution of foreign trade contracts on Soviet territory, and certificates of trade and port customs common in the USSR;

— presentation of statistical data on the foreign trade of the USSR;

— other services by agreement between the Consultation Centre and a foreign client.

The Consultation Centre renders its services in the form of written conclusions, consultations, recommendations and references of various size by agreement between the Centre and the client. The Centre also organizes lectures, seminars and negotiations between potential partners, oral consultation and recommendations.

High-quality services, a comprehensive approach to solving important problems and efficiency are the main principles of the Centre's operation.

The services of the Centre have to be paid for, but you will spend much more time and money, if you handle your problems without its assistance.

For detailed information on the activities of the Consultation Centre in the sphere of foreign economic relations of the USSR and establishing business contacts apply to:

Consultation Centre of the USSR Chamber of Commerce and Industry, 5/2 Kuibyshev Street, Moscow 103735, USSR
Telephone: 925-33-29
Telex: 411431 A, 411431 B, TPP SSSR

ADVERTISING IN THE USSR

By force of many circumstances, both objective and subjective, commercial advertising in the USSR has not gained such an impressive scope as in other countries, especially in the USA and Western Europe. Absence of problems with domestic sales of goods for consumer and industrial use, relatively low exports of finished articles — these are just some of the factors which affected the development of Soviet advertising both on the home and foreign markets.

An opinion has long been persisting in industry and the system of distribution of manufactured goods that the realization of these goods needs no advertising. Soviet producers have always stuck to the opinion that a well run sectoral service of technical information is advertising all right. Emotional impact made on consumers was considered both useless and burdensome for the manufacturer.

The restructuring drive in the economy, deep changes in the economic mechanism, a switchover to the new conditions in planning and the granting of greater autonomy to enterprises have put the problems of realization of manufactured goods onto a new plane. Producers began to be more active in their study of market demand and more consumer oriented: customers' interests and tastes were given more consideration at the production stage, and goods started to be more fitting the demand in certain segments of the market. Under the circumstances, domestic advertising required more attention and bigger funds as a major stimulant of sales and a powerful instrument of affecting both the market and solvent demand. Advertising has obviously livened up, its organization and quality have become better. The producer's economic standing depends now to a greater extent on the customer and on the ability to satisfy the final users' requirements for product quality and ample supplies. Such a situation induces the manufacturer to be more selective and market-oriented and closely follow trends in marketing.

Given this, the competitiveness of sales heavily depends on the marketing complex which is largely determined by the stimulating role of systematic and manufactured goods are concerned. Assistance and consultations by Soviet advertising experts would be most valuable in this respect.

Joint ventures established on Soviet territory with partners from socialist, capitalist and developing countries hold a specific place in advertising. The activity of such enterprises is incorporated into the economic structure made up of mainly industrial associations and enterprises possessing patently expressive features of sectoral planned management.

Decisions Nos 48 and 49 by the USSR Council of Ministers of 13 January 1987 stipulate that the state represented by its central economic bodies — the USSR State Planning Committee and the USSR Committee for Material Supplies — provide no guarantees to joint ventures in their sales of finished products both on the home and external markets. Clearly, their sales activity should be reinforced by an extensive advertising effort.

In their advertising campaigns joint ventures may resort to the assistance of not only Vneshtorgreklama and Vneshtorgizdat but also of the All-Union Association for Commercial Advertising of the USSR Ministry of Trade — Sojuztorgreklama. The latter has a wide network of branches (agencies and printing facilities) in all the Union Republics and big cities of the USSR with powerful production potentialities and experienced personnel.

In its advertising activity Sojuztorgreklama widely utilises the press, radio, television, cinema and printing. Questions of theory and practice of Soviet advertising are covered by Reklama, a specialized illustrated advertising bulletin.

A foreign advertising party should also beware of the fact that each foreign trade association, regardless of its departmental subordination, has a special division responsible for advertising of the nomenclature of the given association. In most cases, it would be preferable for a foreign client who has already established business relations with a Soviet foreign trade organization, to

consult such a division prior to addressing an advertising agency. The consultation will not take long, granting a foreign advertising party an ample survey of forms and methods of approach most appropriate in advertising.

Proceeding from the specific list of goods, an advertising party may make use of the services offered by sectoral advertising agencies, such as:

— Aviareklama, an advertising agency of the USSR Ministry of Civil Aviation catering to the commercial activity of the Soviet air company Aeroflot;

— Mortekhinformreklama, an advertising agency of the USSR Merchant Marine Ministry responsible for foreign business of the Soviet mercantile and passenger fleets;

— Inturreklama, an advertising agency of the USSR State Committee for Foreign Tourism, responsible for the foreign activity of the Soviet joint-stock company Intourist;

— Sovintersport, a foreign trade association of the USSR State Committee for Sport, which offers a wide range of advertising at various sports competitions.

A certain amount of advertising service is rendered by Sovincentr, especially for the companies accredited in Moscow. Exhibition activity is the most effective one among various types of advertising. Expocentr, an All-Union Association of the USSR Chamber of Commerce and Industry, is responsible for the organization, on a commercial basis in the USSR, of international sectoral and specialized exhibitions, provides for the arrangement of foreign, national, commercial and industrial exhibitions as well as exhibitions by individual firms and organizations, exhibition-symposia, Days of Science and Technology, exhibitions of advertising booklets and catalogues and other exhibition arrangements. Expocentr concludes agreements with foreign firms and organizations on leasing of exhibition grounds and equipment and also contract agreements embracing a whole range of building, assembling, designing and other types of works connected with sponsoring of exhibitions in the USSR. Reklamtorg, a specialized subsidiary of Expocentr, is charged with the special mission of providing advertising support at exhibitions.

purposeful advertising. The latter's position in the economy will be ever growing, gradually turning into a key element of sales activity.

Effective advertising in the foreign economic activity of Soviet enterprises and foreign trade organizations has been never doubted, but the funds which were previously earmarked for advertising abroad were quite insufficient to cover even a small share of the requirements posed by the market and tough competition. Moreover, the producers of exported goods were isolated from international markets and derived no economic results from their exports.

A switchover to primarily sectoral handling of exports, broader rights for many enterprises to transact directly on foreign markets have made producers of exported goods the leading participants in the promotion of their goods abroad. Besides that, their demand for imported goods is to be covered mainly by their export earnings. In this context, to expand export deliveries means to consolidate the economic status of the supplier. Hence the necessity to boost foreign trade advertising is becoming self-evident.

Until recently foreign trade organizations were the main advertising parties. The restructuring of the management system in the sphere of foreign economic activity brings about a considerable growth of the number of advertising parties and lays higher demands on the quality of advertising.

The All-Union self-supporting association Vneshtorgreklama, which is incorporated into the USSR Chamber of Commerce and Industry, specializes in advertising in the press, cinema, radio, television, outdoor advertising and "public relations". Vneshtorgreklama offers a wide range of advertising services to Soviet producers and exporters, and executes orders placed by foreign firms and organizations on advertising their products in the USSR.

Apart from export and import transactions, Vneshtorgreklama analyses forms and methods of foreign and Soviet advertising, works out recommendations and manuals for sectoral advertising services, manufacturing units and foreign trade associations. Vneshtorgreklama consults advertising parties on organizational and technical matters — higher efficiency of the advertising impact on potential buyers, better quality of advertising printed matter, rational use of funds for advertising purposes. Soviet Export, a known magazine promoting Soviet foreign trade, is a structural unit of Vneshtorgreklama.

A special place in Soviet advertising is held by the All-Union self-supporting association Vneshtorgizdat. The latter is responsible for publishing and printing, both in Russian and in foreign languages, advertising matter on foreign trade — catalogues, prospectuses, booklets, folders, leaflets, posters as well as technical documentation on Soviet exported goods. Vneshtorgizdat accepts orders from foreign firms and organizations on publishing and printing of various materials — translations of advertisements and other texts from foreign languages into Russian and vice versa, editing, manufacturing original lay-outs, etc.

Vneshtorgizdat provides composition, printing and preparation of circulation of advertising materials, using its own printing facilities or contracts with foreign firms.

Vneshtorgreklama and Vneshtorgizdat perform on a basis of economic contracts with Soviet advertising parties. These two associations are not to be necessarily used by Soviet customers for advertising purposes. Economic autonomy and hard currency self-repayment of state-owned enterprises, stipulated by the Law on the State Enterprise (Association), make for advertising parties' independence of the central advertising agencies. However services granted by the latter offer a reliable guarantee of success in advertising and rational utilization of funds in this direction.

We would like to warn foreign businessmen, even those experienced in advertising, against a routine approach towards the Soviet market, especially as far as bility to prolong accreditation for every next year upon presentation by the firm of evidence of the need for further work of the office.

On commercial and other questions referring to the charter activities of the firm on Soviet territory, the representative office directly gets in touch with Soviet organizations and enterprises entitled to conclude foreign trade deals, and in the case of organizations and enterprises lacking such entitlement, the representative office operates through the agency of the government department with which it is accredited. In any event the representative offices of foreign firms pursue their activities in the USSR in compliance with Soviet legislation regulating such activities. More detailed information on the legal, organizational and economic questions of opening a representative office in the USSR is available from the Protocol Service of the Ministry of Foreign Economic Relations of the USSR, V/O "Sovincentr", the USSR Chamber of Commerce and Industry, or the Department for Servicing the Diplomatic Corps at the Ministry of Foreign Affairs of the USSR.

Accreditation of a representative office of a foreign firm with a government department or ministry given certain advantages to foreign nationals employed at the office as regards their servicing, since the range, standard and cost of services rendered to such persons are close in many ways to the services rendered to members of the diplomatic corps and their families.

A firm applying for accreditation of its office with a government department or ministry is obliged to prove by documents that its activities on Soviet territory are indisputably useful to the development and modernization of the Soviet economy and that its business ties with its Soviet partners have a long-term and fruitful character.

BUSINESS PROTOCOL AND THE PROCEDURE OF PROTOCOL EVENTS IN THE USSR

Business protocol in the USSR is not different appreciably from that adopted in Western Europe or the USA.

Soviet foreign trade and other organizations hold business meetings with representatives of foreign firms and organizations usually in special rooms reserved for these purposes, observing the universally accepted rules of procedure.

Foreign representatives are recommended to agree on negotiations with representatives of a Soviet foreign trade or other organization at least two or three days before the meeting, having submitted in advance the questions to be discussed and stipulated the approximate length of the meeting.

It should always be remembered that you are not the only representative of a foreign firm wanting to have a business meeting with a Soviet foreign trade or other organization. Agreeing on the time of negotiations and strictly abiding by this agreement, you show respect for your Soviet partner and an understanding that he may have other affairs to attend to, other meetings, etc. In Soviet institutions it is a rule to begin negotiations strictly at the appointed time, so one would be wise not to be late for your meetings, though, of course, punctuality in business affairs is not a distinctive feature of Soviet business protocol alone.

Sometimes, particularly in agreeing technical questions, negotiations are held at enterprises manufacturing export products or enterprises ordering import products, as well as at scientific research and design institutes. Organization of such negotiations, with the observance of the necessary formalities, is handled complety by the Soviet host organization.

To save time during business travel through the USSR a foreign partner is advised to agree in advance on a meeting with Soviet foreign trade or other organizations by telex or telephone. Such preliminary arrangement is especially important to have, because leading executives of the relevant Soviet organization may be away on a business trip during the stay of representatives of the foreign firm in the USSR.

In any event, in organizing a business trip to the USSR and setting up preliminary contacts with Soviet foreign trade organizations, a foreign businessman can count on the assistance and effective support of the personnel of the Soviet trade representation in the relevant country. In Britain, France, Italy and Finland, effective assistance in the arrangement and protocol formalities of a business trip to the USSR for representatives of foreign firms can be given by the mixed Chambers of Commerce, and in

Foreign advertising parties can contact, both directly or via the central advertising agencies, Novosti Press Agency (APN) and the USSR State Committee for Radio and Television to commercially disseminate via their channels commercial and promoting advertisements.

The list of services offered to foreign clients on Soviet territory is given in the general part of this Guide containing the names, addresses, telephone and telex numbers of foreign trade associations.

FORMALITIES OF ENTRY TO THE USSR FOR COMMERCIAL NEGOTIATIONS WITH ORGANIZATIONS AND ENTERPRISES

A foreign national requesting entry to the USSR, transit travel across Soviet territory or exit from the USSR is obliged to bear a national passport with a corresponding visa. A visa in this case is permission to enter (or leave) the USSR through any entry or exit point of the USSR open to passenger traffic. In exceptional cases a visa indicates the concrete points of entry or exit in accordance with the established itinerary of travel of the foreign national.

Three types of visa are used for travel to the USSR: tourist, ordinary, and transit.

Visas are issued by Soviet consular offices abroad. To obtain any visa the petitioner has to submit:

— a national passport;
— a filled-in questionnaire of a standard type;
— three photos of 4.0 x 4.5 cm format.

Tourist visas are issued to foreign nationals entering the USSR for tourist purposes, as well as for attending congresses and conferences, visiting exhibitions and fairs, international film festivals, sports competitions, for recreation and medical treatment at resorts, etc.

To obtain a tourist visa the petitioner has to submit a letter from a tourist firm representing the interests of Intourist in his country, indicating the voucher number and a copy of the written (telex, telegram) confirmation from Intourist about hotel reservation and other tourist services.

In case the petitioner needs to attend commercial events held in the USSR, such as fairs, exhibitions, auctions, etc. the grounds for obtaining a Soviet visa may be a written invitation or confirmation not only from Intourist but also from V/O Expocentr, Sovincentr and local firms representing the interests of these organizations abroad.

Ordinary visas are issued to foreign nationals travelling to the USSR to take part in negotiations, business meetings, fairs, exhibitions, auctions and other strictly commercial events.

Transit visas are issued to foreign nationals travelling by transit across Soviet territory by air, rail or sea. In this case they should have a visa for entry to the

Usually, representatives of foreign firms travelling on Soviet territory are accompanied by representatives of the respective foreign trade host organization, the relevant ministry or government department, who, as a rule, have command of foreign languages, are always prepared to advise the foreign visitor on all problems arising during such travel and, when necessary, to warn him or her against any, even non-premeditated, actions that may entail responsibility.

A business trip in the USSR will give you pleasure and unforgettable impressions, if you entrust yourself to your companions from the Soviet host organization, especially when you come to the USSR for the first time and do not know Russian.

THE PROCEDURE AND TERMS FOR ORGANIZING REPRESENTATIVE OFFICES OF FOREIGN FIRMS IN THE USSR

The decision to open or not to open a representative office of a foreign firm in the USSR is taken on the basis of the existing records or the prospects of business activities of the firm, its financial potential and capacity to do business with Soviet foreign trade organizations. The restructuring of the system of management of foreign economic relations of the USSR with foreign partners has, to a significant extent, opened the Soviet market to foreign investments and more fruitful activities of foreign firms on Soviet territory. At the same time, there has been a definite increase in competition among foreign firms on the Soviet market.

Evidently, those who have their permanent offices in the USSR who quickly react to all changes taking place on the market, promptly and efficiently identify under such conditions the interests of their firms, which coincide with the interests of their Soviet partners in the area of trade and economic relations.

To "feel the pulse" of the commercial situation while staying on the spot in the country, is highly important. Time and again this leads up to big deals and strengthens the positions of Western firms on the Soviet market. The maintenance of offices accredited in Moscow or some other large administrative and industrial centres of the USSR is not cheap to foreign firms, as a rule, but it is not costlier than in any other country, let alone the fact that the Soviet market is immeasurably vaster.

At the end of 1987, more than 300 representative offices of industrial and trade firms, and companies specializing in the services (airlines, travel bureaus, transport, credit and finance companies, branch offices of banks, etc.) functioned in Moscow.

More than 60 foreign firms were accredited with the Ministry of Foreign Economic Relations, about 10, with the State Committee for Science and Technology, a few companies, with the Ministry of Merchant Marine. Air companies usually obtain accreditation with the Ministry of Civil Aviation, credit and finance institutions and banks, with the Ministry of Finance and the Bank for Foreign Economic Affairs (Vneshekonombank). Many foreign firms set up their permanent or temporary offices in the USSR by agreement with V/O "Sovincentr", i.e. without permanent accreditation with any government body or ministry of the USSR.

A foreign firm intending to open its representative office in the USSR submits an application indicating its full title, the date of founding, the address of the head office, the date and place of registration of its charter, the size of the authorized capital to the government body with which the firm can be accredited in accordance with its specialization. The application should mention separately the object of activity of the firm, its management organs and the persons authorized to handle its affairs on its behalf in the USSR. The firm should also give information on its business operations in the USSR and other countries, on its intentions concerning the development of business relations with Soviet foreign trade organizations and other institutions and organizations of the USSR. If the firm intends to open its representative office in connection with a concrete deal or deals, it should indicate the relevant numbers of contracts and the title of the Soviet organization which has signed them. To avoid misunderstanding, information given in the application should be confirmed by documents, including notarial copies certified by Soviet consular institutions abroad.

Usually, a permit to open a representative office of a foreign firm in the USSR is granted for two years, with the possicountry of further travel, if it is required by a consular agreement concluded between the relevant countries.

To obtain an ordinary visa the petitioner has to submit a written invitation from the Soviet host organization.

All documents, including invitations and confirmations of the possibility of visits made by Soviet host organizations, should be submitted to the Soviet consulate two weeks before the date of planned entry to the USSR. In obtaining a transit visa this period is reduced to one week.

Tourist and ordinary visas are issued for the periods and to the cities indicated in the confirmation of Intourist or another Soviet host organization.

Visas except transit visas may be prolonged, if there are valid grounds for such prolongation.

Tourist visas are prolonged through the service bureaus of hotels provided the petitioner obtains Intourist services for the whole period of prolongation.

Ordinary visas are prolonged at the request of the respective Soviet host organization.

An official request for prolongation of a visa should be addressed to the Ministry of the Interior of the USSR 4—5 days before the date of expiry of the visa.

No visas are required for foreign nationals travelling as tourists on Soviet or foreign cruising ships to came ashore at Soviet sea ports for sightseeing, if they have national (foreign) passports.

No visas are also required for foreign nationals travelling by transit across Soviet territory by air. In such an event an air passenger should have a national (foreign) passport with a visa for entry to the country of destination and an air ticket with a confirmed date of departure from the same airport of the USSR within 24 hours of the date of arrival at this airport. Air passengers await further flights in a special transit hall and are not allowed to leave the airport grounds.

A foreign national in transit across Soviet territory by air who has no air ticket with a confirmed date of departure is obliged to obtain a transit visa.

All passengers crossing the Soviet border are subjected to passport, visa, customs and medical inspection, and may be questioned by the agricultural quarantine service.

THE PROCEDURE FOR ORGANIZING BUSINESS TRAVEL OF FOREIGN NATIONALS ON SOVIET TERRITORY

The conditions of stay of foreign nationals in the USSR are regulated by a number of legislative acts and general rules, ignorance of which does not release a foreign national from responsibility for their violations.

It is important to know that foreign nationals in the USSR enjoy a legal capacity on a par with Soviet citizens. Restrictions are applied as a retaliation in relation to the nationals of the states which have introduced special limitations on the legal capacity of Soviet citizens.

In the USSR, there are a number of regions closed to visits by foreign nationals who have no special permission from competent Soviet authorities. Nevertheless, whenever business necessity requires visits to some cities or enterprises closed to foreign nationals, the Soviet host organization usually undertakes all formalities of receiving permission to visit such regions.

Naturally, such steps take some time, so the lists of cities and regions to be visited by representatives of a foreign firm should be agreed in advance with the Soviet host organization.

In principle, when a foreign national applies to a Soviet consular office abroad for an entry visa, his application should contain a list of Soviet cities, confirmed by the Soviet host organization, the said national intends to visit.

It may be useful to know that the rules of staying for foreign nationals permanently residing in the USSR or arriving in the USSR for a period are laid down in the Law "On the Legal Status of Foreign National in the USSR", a copy of which is available at any Soviet consular office abroad.

Despite the traditional hospitality of Soviet people and the sincere desire of Soviet organizations to cooperate with foreign fimrs, particularly in developing mutually advantageous trade and economic, scientific and technical and production ties, the Soviet state protects the interests of Soviet society against undesirable actions on the part of foreign nationals violating the rules of their stay in the USSR.

The Supreme Soviet of the USSR on November 24, 1982 adopted the Law of the USSR "On Criminal Responsibility of Foreign Nationals and Stateless Persons for Malicious Violation of the Rules of Staying in the USSR and of Transit Travel Across Soviet Territory".

JOINT VENTURES ON SOVIET TERRITORY

Introduction • Choice of the field for a joint venture (JV) • Choice of a foreign partner • Drafting of a protocol of intentions • Formation of the authorized fund • Personnel of a JV • Marketing of the products of a JV on the domestic and foreign markets • The structure of the funds of a JV • Taxation of a JV • Distribution of profits between the partners of a JV • Structure of JV Management • Insurance of a JV • Preparation of a feasibility study • Drafting of the constituent instruments

Introduction

The restructuring of the economic mechanism in the USSR is affecting all the spheres of the national economy. This process is developing vigorously in the field of foreign economic relations as well. The main direction of reforms is enhancement of the interest and responsibility of direct producers for the results of their work, a transition from the administrative methods of management to economic ones. Western specialists have come to regard the Soviet economic system as one rigidly centralized and subordinate to command planning "from the top".

The expansion of the rights of enterprises fixed in the Law on the State Enterprise (Association) adopted in 1987 breaks down the traditional stereotype of economic management. The system of small, medium and large directives which bore down upon an enterprise reminds one of defective methods of upbringing based on constant lecturing and rebukes of the charges. Dr. Spock of the USA, as is known, warns in his book against excessive care of the child by the parents, because this prevents the development of its initiative and at times turns obedience into the only virtue.

In accordance with Soviet legislation a JV as a juridical person is registered with the Ministry of Finance of the USSR only after the relevant decision has been taken by the ministry or government department.

The experience in drafting proposals for the establishment of joint ventures indicates that this involves much work with a circumstantial analysis of legal, economic and other questions and concrete conditions. The study of all the aspects and the substantiation of techno-economic information require specialists of various kinds — engineers, production managers, economists, accountants, specialists in logistics, etc. Moreover, it is desirable that foreign partners also commission their specialists to do this work, which will make it much easier.

To conduct the whole complex of measures on the aforesaid range of questions, an enterprise or a ministry sets up temporary target working group (TTWG), which includes competent experts and, necessarily, one of the future leading executives of a JV (for instance, its Director-General). This will help the partners better acquaint with each other's positions, to establish business contacts on the basis of mutual confidence.

An analogous TTWG can be formed by a foreign partner. It would be useful to include into such a group one of the future leading executives of the enterprise who would perform the functions of head of the TTWG, directly participate in the study of all questions involved in the founding and initial functioning of the JV, in drafting the constituent instruments. Specialists in international and Soviet law will play the main part in the activities of the TTWG. Thanks to their joint efforts the constituent instruments will be drawn up quickly and competently.

A specialist in financial and currency problem is indispensable in the membership of the TTWG. His duties include analysis of the terms of credit to the potential JV. An expert of the TTWG has within his terms of reference also the questions of production processes, the quality of the planned products of the JV, the standardization and competitiveness of new manufactured products, securing the procedure of handling normative and technical documentation. The TTWG should include experts on material and technical supply. An expert of the Soviet partner works out the problems of supplying the future enterprise with raw and auxiliary materials, manufactured products of Soviet producers. An expert of the foreign partner deals with the problems of deliveries from the world market.

To study the situation on the market of commodities planned for production, to organize the marketing network, to fix foreign trade prices for materials, complementary parts, manufactured products, and to assist in the estimation of the components of the authorized capital of a JV, the Soviet partner also includes into the group an expert from a foreign trade organization.

An analogous specialist of the foreign partner must be in possession of similar information about sales conditions on the world market. To organize negotiations and protocol maintenance of analysis of the proposals for founding a JV, the Soviet partner invites an official from the Department of Foreign Relations (DFR) of the ministry responsible for the enterprise co-founding the JV.

The composition of a TTWG may vary with the amount of work and the complexity of the questions on its agenda, but it would be useful to include consultants on production management and organization, as well as expert in the sphere of specialized scientific and technical information. Soviet organizations actively attract specialists from the banking system to work in the temporary group in order to solve the problems of rouble and hard currency crediting, which are highly important for the establishment and functioning of JVs.

Experts in marketing, foreign consultation and marketing firms work with a TTWG on the terms of a commercial contract with payment for services in hard currency out of the funds of the founding enterprises.

To assist Soviet enterprises and organizations, as well as foreign partners intending to set up JVs on Soviet territory, a special Consultation Centre has been opened under the Chamber of Commerce and Industry of the USSR (CC CCI, Moscow, 6 Kuibyshev St.; telephone for information 206-79-30).

All the expenses preceding the establishment of a JV, i.e., expenses for business travel abroad and inside the USSR, services of experts and consultants on special problems are to be reimbursed by each of the partners.

the United States, by the USA-USSR Trade and Economic Council.

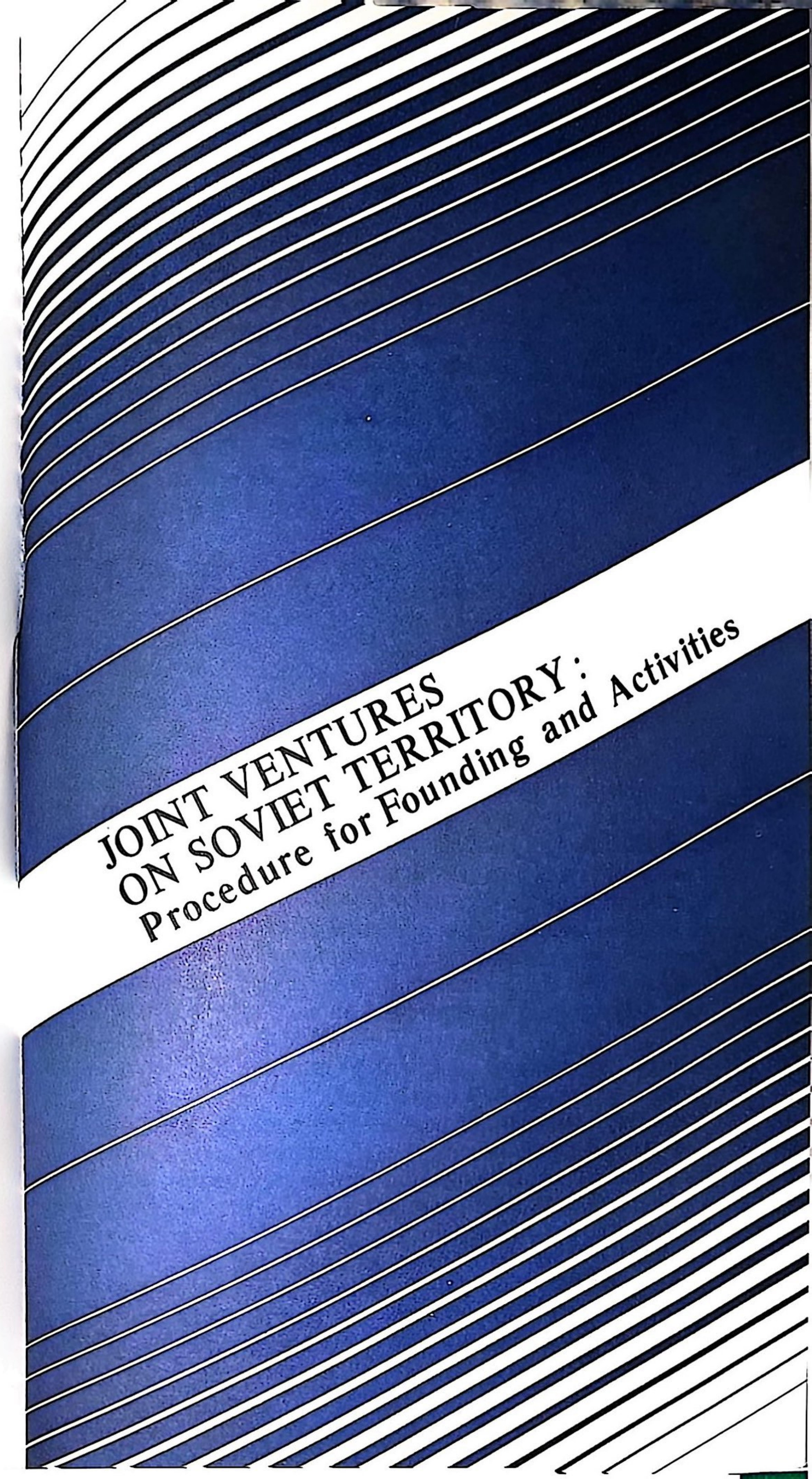
If a representative of a foreign firm is already staying in the USSR and needs to meet with a leading executive of a Soviet ministry or government department, he should apply for an appointment to the Protocol Service of the Department of Foreign Relations in the relevant ministry or government department at least 3 to 4 days before the requested meeting date. In addition, the Soviet foreign trade host or other organization may also be helpful in arranging such meetings.

If you intend to hold a protocol event (cocktail party, luncheon, dinner, supper, etc.) at a restaurant, the office of your firm in Moscow or elsewhere, you would be advised to send in advance written invitations to the organizations and persons you hope to meet with. Impromptu invitations to protocol events, particularly in oral form, are very inconvenient, because those invited are usually very busy people with their working day planned literally to the minute, and their evening time may also be planned, since they may have family duties.

If a protocol event is held in the daytime, you are advised not to provide for strong drinks in the menu out of respect for the campaign against alcohol abuse now underway in the USSR, which is actively supported by the public and, of course, by government employees. At evening receptions, after working hours, strong drinks in moderate amounts are tolerated, though you would be wise not to be insistent if any of your guests is abstaining from vodka, cognac or wine — there are convinced total abstainers among Soviet businessmen.

Making presents of the firm's souvenirs as components of advertising, mementos on the occasion of concluding a deal, completing important negotiations or other notable events is accepted in the commercial practice of Soviet foreign trade and other organizations. Soviet partners in negotiations usually present their foreign colleagues with inexpensive articles of folk arts and crafts: wooden dolls, carved caskets, painted toys, peasant spoons, etc. As a gesture of reciprocity you may also present them with inexpensive souvenirs: lighters, pens, calendards, notebooks, etc. For all his respect for you and your firm a Soviet businessman will decline an expensive gift; therefore, it would be wise to avoid an embarrassment likely to be caused by such presents.

In all other situations you will never feel uncomfortable, observing the rules of protocol and etiquette accepted in Europe. Whenever you are not sure as to how to behave, you can simply rely on your natural benevolence and friendliness.



JOINT VENTURES ON SOVIET TERRITORY:

Procedure for Founding and Activities

It seems it is a long distance from the methods of upbringing children to the methods of economic management. In both cases, however, we deal with a developing and growing organism. Directive planning on a broad scale handicapped the initiative of labour collectives and did away with the direct dependence of the income of a collective on the results of its contribution to production. This generated a passive attitude to progress and resulted in an extremely slow introduction of innovations and technical novelties.

Now an enterprise or an association becomes economically and legally full master in its diverse activities, in the field of foreign economic relations in particular. Centralized planning determines the state strategy of production and marketing. It secures an optimum distribution of resources, balances the proportions in the national economy, lays down the order of priorities in the economic development, while the concrete ways and means of attaining the targets set are placed under the jurisdiction of the direct producers. The state producer enterprises gain access to the foreign markets, derive income from marketing their products, incur losses, if any, however unpleasant that may be.

Thereby the enterprises exercise state monopoly of foreign trade through the system of profit and loss performance.

The establishment of joint ventures with firms of the capitalist and developing countries implies initiative and interest of both the Soviet and foreign partners. A JV is not part of the planning system, it functions as an absolutely independent production unit answerable for all its operations exclusively with its own resources. As a buyer and seller, a JV operates in the interest of its founding partners. The resources of the Soviet partner are part of state-owned property; it is natural, therefore, that the Soviet partner represents the interests of its state. However, its economic interest is expressed through profit and loss performance, and the producer is interested in profit returns. The Western partner is also interested in profit; in other words, the partners have a common goal in their productive activity: highly efficient production at a joint enterprise for greater profit returns. Thus, joint property allows the potentials of both partners to be used to organize highly profitable production.

The Decisions Nos 48 and 49 concerning the establishment of joint ventures on Soviet territory were adopted by the Council of Ministers of the USSR on the basis of suggestions from founders. Since September 1987, such decisions have been the prerogative of ministries and government departments of the USSR and the Councils of Ministers of the Union Republics.[1]

The process of founding a JV has several stages. This is characteristic of the world practice of establishing joint ventures, and is not an exception on Soviet territory. The following stages may be singled out tentatively:

the choice of the field of a JV;

the search for a foreign partner;

negotiations on the possibilities of establishing a JV and the signing of a protocol of intentions;

the drafting of a feasibility study (FS);

the drafting of constituent instruments;

negotiations on the establishment of a JV;

registration of a JV.

A proposal for founding a JV on Soviet territory is worked out on the Soviet side by the potential founder, i.e., by a Soviet enterprise (association) with the participation of the ministry or government department to whose system it belongs as a component. In view of the fact that the questions to be studied in preparing the FS are many-sided and complicated, the initiators of a JV may apply for consultation either to government bodies or to specialized self-supporting firms which can offer the requisite information. The result of this work is a package of documents agreed with the foreign partner and submitted to the relevant ministry or government department for consideration and the adoption of a decision to establish a JV. The package of documents includes:

an agreement on the establishment of a JV;

the charter of a JV;

the feasibility study for a JV.

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[1] The Decision of the CC CPSU and the Council of Ministers of the USSR "On Additional Measures to Develop Foreign Economic Activities in the New Conditions of Management" of September 17, 1987.

The delegation of a foreign partner meets the relevant expenses on its own, while the Soviet partner meets the expenses for protocol events.

Whenever it is necessary in preliminary analysis of techno-economic information to order special research of the markets of interest to the partners in a JV, to obtain other types of information from foreign firms, the expenses for these services are met by both potential partners under the relevant agreement fixed in contracts.

1. The Choice of the Field for a JV

The choice of the field where a JV is to be found is closely linked with the development of the country's entire economic complex. Although JVs with the participation of firms from capitalist countries are not included into the system of centralized planning, nevertheless the JVs as a production structure interact with the elements of the entire economic system, primarilly through marketing products on Soviet territory and through material and technical supplies to Soviet sub-suppliers. Therefore, the choice of the field for a JV should be based on the foreign partner's general idea of the scope of economic development in individual branches, the spheres of business contacts holding out the best prospects for mutually beneficial cooperation, in particular, in the area of establishing enterprises and firms. A JV should be based on a desire of the partners to establish production with advanced processes and up-to-date management methods. The branches of mechanical engineering, all types of chemical production, the agroindustrial complex, the manufacture of consumer goods and the services are a truly enormous field for such activity.

It would be wise to establish a JV primarily where it is possible to combine effectively research and development results available in the Soviet Union with Western methods of organization of production and management that secure high rates of introduction of industrial innovations. It is also necessary to make a

broad use of under-employed capacity for the production of raw materials now being held up by inadequate processing facilities. The first priority fields for JVs should be the spheres of investment which allow the following operations on a modern technological basis:

— production of commodities in short supply;

— efficient introduction of scientific discoveries and inventions for the manufacture of competitive products for the domestic and foreign markets;

— a reduction of costs per unit product in the branches using JV products;

— manufacture of machines and instruments whose use in the economy contributes to abolishing various kinds of monotonous, arduous, and harmful physical work, more effective use of resources, observance of ecological standards;

— production of high-quality consumer goods for the population.

In choosing the field for founding a JV it is important to analyze its potential import and export characteristics. The relevant normative acts for JV provide for the principle of recoupment in hard currency, which means in general production for export and is a condition for securing receipts in hard currency and the transfer of profit to the foreign partner. Another substantial aspect of JV activities is organizing import-substituting production. Foreign partners display special interest in the vast markets of the USSR; therefore, we shall dwell on this problem in greater detail.

A joint venture is established on a basis of mutual benefit, and this form of cooperation combines the efforts of the founding partners in a common production mechanism. Hence the profit motive should be observed for both the Soviet and foreign partner. The Soviet side may be interested in import-substituting production on the basis of economic analysis, which includes the following:

— comparison of production costs of a JV with expenses for import of analogous products;

— comparison of the quality and dependability of imported products and products potentially manufactured by a JV;

— conformity of the technical characteristics of imported products with the standards in force in the

USSR and the possibilities for manufacturing analogous products by a JV.

Analysis of comprehensive data will show whether it is more advantageous to import this group of commodities or manufacture them at a JV. If the analysis indicates the advantage of an import-substituting JV, possible ways of profit transfer should be sought. For instance, transfer of profit may not only take the form of direct export of profit in convertible currency due to the foreign partner but also the form of commodities bought by the foreign partner with the same amount of profit. A common hard currency fund may also be formed by JVs, for instance, by those operating in the same field. Then, the currency returns from the export of products of one JV are used, with the consent of all the partners concerned, for partial or complete covering of profit subject to transfer. The main thing is a desire to have this problem solved, and ways to this end will be found quickly and, of course, on a mutually beneficial basis. This, however, requires a high degree of mutual trust between partners and their mutual desire to cooperate.

The choice of a Soviet partner also has a number of distinctive features. The Soviet founding enterprise should be characterized by a combination of indicators of its dependability and promise as a partner. The indicators are as follows:

— the quality of products to be manufactured and its comparison with the world's analogues;

— the technical characteristics of equipment, the possibility of transfer of part of it as the Soviet partner's contribution to the authorized fund;

— the availability of individually located buildings or installations, as well as of vacant areas in operating factory shops for a contribution to the authorized fund;

— occupational training and specialization of personnel, the possibility of their employment by a JV;

— the availability of transport communications on the territory of a future JV;

— the location of the enterprise in relation to suppliers of raw materials, half-finished goods and complementary parts, which are necessary for the functioning of a JV.

Detailed information provides the basis for taking a decision on inviting a Soviet enterprise as a potential partner of a JV on Soviet territory.

2. The Choice of a Foreign Partner

The correct choice of a partner is perhaps the main problem in founding a JV. World practices abound in examples of JV failing to function or functioning inefficiently, because their partners were chosen without consideration of the factors required for joint productive activities. In selecting a partner the available experience of cooperation between the partners is a substantial circumstance. The existing business relations between producers or organizations and firms are a solid foundation for joint free enterprise.

This stage in the development of foreign economic relations may develop as one of the links in the traditional chain of mutual relations between partners from export-import operations to broader cooperation in production and from the latter to the establishment of JVs. In such an event the JV becomes a natural result of long-standing business relations, implies good knowledge by the partners not only of the present distinctive features of one another, but also the prospects for their development, the possibilities of joint research and development for the introduction of innovations. Soviet producers have a powerful R&D potential. A few figures will illustrate this point.

In the period 1981—1985, the number of inventions and rationalization proposals first used in production amounted to 20.1 million, and in 1986 alone, to 4 million. The quality of these works is evidenced by the economic effect of the use of inventions. In 1985, it amounted to 3.2 thousand million roubles, and in 1986, to 3.6 thousand million roubles. Rationalization and invention are supported by the high level of fundamental research known throughout the world. In 1986, 15 scientific discoveries reflecting the great achieve-

Since the exchange of mutually compatible commodities between partners takes place in kind, co-production makes largely for expanded turnover between the two countries in question. The share of mechanical engineering products in their turnover increases, for co-production embraces above all machine-building.

Despite the obvious advantages offered by this form of cooperation it has not so far gained firm ground in Soviet-Western economic cooperation. For example, the USSR has at present only 21 cooperation agreements providing for co-production and co-sales of metal-cutting tools, equipment for textile and metallurgical industries, sewing machines, etc. However, specialization and cooperation offer wide opportunities for business.

Cooperation in science and technology has become a vital form of economic relations. Along with joint research, technological exchange on a commercial basis is growing, and selling of licenses and know-how and engineering services has become quite widespread. At present, more than 20 capitalist countries are using Soviet licenses. About one third of Soviet licenses is exported to such countries as the United States, Japan, West Germany, France, Britain and Italy. Starting with 1975, the USSR signs annually more than 100 license agreements with firms in capitalist countries.

For instance, the Soviet designed system of evaporative cooling for blast furnaces is widely used by such big concerns as West German Thyssen-Hutterwerke AG, Hoesch AG, Sterkrade AG and Japanese Nippon Steel. Also in wide operation throughout the world is the continuous casting technology first tested in the USSR. In turn, the Soviet Union buys from Western firms licenses of new technique and latest technologies.

Joint venture business opens up bright prospects before producers in both economic systems. The interest displayed by Western firms in setting up joint ventures on Soviet territory — 250 foreign proposals have been filed sinde legislation on this kind of business activity was made public — speaks of considerable potentialities of this form of cooperation to promote external economic ties of the Soviet Union.

Some Western firms hold that joint ventures will enable them to tap the Soviet market, to boost their exports and hence get more profits. However that way of development of joint ventures would signify a considerable strain on Soviet hard currency resources which could result in Soviet foreign trade deficits unless Soviet exports are given a strong impetus. Therefore, to run a joint venture smoothly, i.e. to be able to buy materials and equipment both in the host country and abroad, to transfer abroad profits and personnel's hard currency incomes, etc., the owners of the joint enterprise should take care of their exports. The basic feature of joint ventures' business activity is the principle of hard currency self-repayment. The goal is to utilize joint ventures not only as an instrument of satisfying the vast domestic demand in the Soviet Union, but as a booster of exports, too. Foreign partners may be granted centrally allocated hard currency funds with regard to transfer abroad their profits and remit other currency payments, should the joint venture supply the Soviet market with the products previously imported from capitalist countries in large quantities. But those may be rare instances.

As of the beginning of February 1988, 30 agreements on the establishment of joint ventures had been signed with firms from the FRG, Japan, Switzerland, Finland, the United States and other countries. Their business orientation is quite multifaceted. There are joint ventures in machine-tool and instrument-making, in petrochemistry and woodworking, in the footwear and women's clothing industries, as well as in services.

But so far the small number of existing joint ventures and limited foreign investments testify to the fact that this form of industrial cooperation is still in its babyhood. Joint venture business is an area of tremendous untapped resources. For one, small and medium-size firms are very few among the founding partners. Many of them — not only industrial but also engineering, venture, consultative, marketing, travel and other companies — could find reliable partners in the USSR. These firms could be successfully operating in the world market with new products through pooling efother equipment the Soviet Union is to supply annually 10.5 billion cubic metres of natural gas to the FRG within 25 years. The significance of the agreement consists in the fact that it makes part of another bigger agreement which provides for the delivery of 40 billion cubic metres of natural gas to several European countries and to West Berlin. This implies long-term and large-scale cooperation. It was therefore not accidental that the Western press gave the Soviet-West German project the name of the Deal of the Century.

Economic ties with the Soviet Union and other socialist countries are of no little significance for the economies of West European countries. These ties signify certain stability for the latter, especially during the periods of cyclic fluctuations in the world capitalist economy. In the early 1980s, when capitalist economies were badly hit by high unemployment, economic ties with the USSR and other socialist countries enabled to furnish jobs to hundreds of thousands of jobless in the West.

The USSR's line towards expanding mutually beneficial relations with capitalist countries remains unchanged. However, their further development calls for improved structures of exports to those countries. Ways should be found to boost exports by the processing industry, notably exports of machinery and equipment. But what is most important, new forms of long-term cooperation are needed. Thus, a complex and long-term form of relations among countries is the construction of big industrial projects on the territory of one of the contacting parties. This form combines, as a rule, ordinary commercial deals (on the delivery of equipment, materials, etc.) with scientific and technological cooperation and technical assistance (feasibility studies), sales of licenses of items and technologies, loan facilities, etc. Such was, for instance, the construction of a major car manufacturing plant in the USSR with the assistance of the Italian concern FIAT. On the other hand, this trend in cooperation can be exemplified by the construction of a nuclear power station Lovisa-1 in Finland, built with Soviet assistance.

Cooperation agreements on the construction of industrial projects in third countries (non-parties to agreements) is a variety of this type of cooperation.

Several dozens of cooperation agreements between Soviet organizations and capitalist firms on the construction of projects in developing countries have been concluded over the past few years. In compliance with these agreements part of the work on such projects and deliveries are carried out by the Soviet side and another part is the concern of a Western partner.

Long-term contracts represent agreements on cooperation in the field of the development of natural resources and on the creation on Soviet territory of the so-called compensatory enterprises. Under such agreements, foreign firms grant credit facilities to Soviet organizations to buy necessary equipment, machines, materials as well as licenses and know-how. These credits are reimbursed, or compensated by the deliveries of materials or products from the newly constructed projects.

More than 100 compensatory agreements and contracts were concluded between Soviet organizations and Western firms in the 1970s. The construction of the projects contributed to the accelerated development of several sectors in Soviet industry and tapping of natural resources in the less developed areas of the USSR. On the other hand, these agreements resulted in the growth of trade between the USSR and the capitalist countries. Despite the fact that the number of compensatory projects has dwindled of late, the opportunities offered by this form of cooperation are far from being exhausted.

Agreements on co-production are a very promising form of cooperation. They often provide opportunities for exchange of scientific and technological data and licenses, which in the long run promotes technical progress at the partners' production facilities and contributes to higher product quality. The fact that the products and components turned out at the enterprise of one of the producers should be compatible with those of his partner's, creates favourable ground for stable and long-term business relations.

In some cases direct co-production is complemented by commercial cooperation. This includes instances when sales of products are effected through the trading network of one of the partners, or on the markets of third countries.

ments of Soviet science in physics, chemistry, geology, biology and medicine were registered [1].

Accordingly, in choosing a partner it is important for the Soviet side to secure the possibility of cooperating with a company or firm capable of appreciating innovations, and introducing them efficiently into production and marketing. Of course, mutual interest in innovations can be successfully satisfied with the contacts already existing in cooperation, provided the partners are familiar with one another. It would be wrong to think, however, that only consistent progress from the traditional forms to joint Soviet-foreign productive activity holds out the prospect of high economic effect. Economics is an interesting field precisely because of its unexpected multifarious approaches and non-standard decisions. Therefore, it is advisable — as has been proved by the 23 joint ventures already registered — to invite to partnership firms with which cooperation experience is inadequate or even non-existent.

Both a known and an unknown partner should be thoroughly analyzed according to a system of criteria. Many Western specialists point out that Soviet enterprises and organizations — potential founders of JVs — have no experience in this field. This is true. Because the direct producers (i.e., enterprises) were for a long time separated from foreign economic operations within the framework of the economic mechanism which existed at a time when they had no need for independent quests for business cooperation with foreign firms. These "concerns" were centralized and came under the terms of reference of central government departments, the Ministry of Foreign Trade first and foremost. Hence, once there is no economic necessity, there is no relevant experience. But the dynamically changing picture of the economic mechanism has posed the problem in a new light. Now it is precisely the enterprise (or a group of enterprises) that has come to establish foreign relations and hence to search for a foreign partner.

The search for a foreign partner is based on a system existing in world practice. First of all, it is necessary to identify the range of producers known on the world market, which the Soviet participant does with the aid of a specialized service of the Chamber of Commerce and Industry — the Computer Service for Collective Use. The Centre is in possession of a large pool of information, makes active use of foreign information sources, which allows it to supply exhaustive and up-to-date information to Soviet enterprises, associations, ministries and government departments concerned.

Just as any firm in the world, the Soviet potential partner has, as a rule, a system of direct and indirect indicators, which will become the criteria for determining the number of firms (8 to 10) for a subsequent study.

Mutual trust does not rule out the need for mutual information of the partners about the techno-economic level of production. Therefore, both potential partners are interested in a detailed analysis of the main characteristics of each other. Since the partners represent different economic systems, the criteria to be applied to the characterization of the partner have substantial distinctions. For instance, a Soviet partner will be primarily interested in the following data:

— the size of the partner's assets and their growth in the last 2 or 3 years;

— correlation between the partner's own and borrowed capital;

— correlation between fixed and circulating capital;

— the number of employees at the partner's enterprises;

— the number of enterprises owned by the partner;

— growth of profit over the last 2 or 3 years;

— the number of foreign sales.

The direct indicators are supplemented by a number of indirect indicators, which characterize the different aspects of the efficiency of capital investment. These are the relationship of profit to production costs, labour productivity, production increment per investment unit, etc.

The results make it possible to select firms with a stable financial position, a high competitiveness of products on the world market, etc. Now three or four firms may be chosen for a more detailed study; here the Soviet partner relies on the recommendations worked out by the secretariat of the UN Industrial Development Organization (UNIDO) and other international organizations dealing with search problems.

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[1] The Soviet Economy for 70 Years. Jubilee Statistical Yearbook. Moscow, "Finance and Statistics" Publishers, 1987, pp. 67—69 (in Russian).

The limited range of firms left after an economic analysis is characterized, as a rule, by fairly good indicators, and the question of choosing a concrete partner now requires agreement on terms with the potential partners. For this purpose the Soviet partner may send official proposals to those firms regarded as probable partners. They set out the conception of the JV proposed, indicate a number of technical characteristics of products to be manufactured, outline some general approaches to economic activity. This refers, for instance, to the way of applying the principle of recoupment in hard currency, to where and how products are to be marketed, etc. This information should give the foreign partner a faithful idea of the scope of the JV contemplated, the general approaches to the level of competitiveness of its products, the availability of buildings and installations or the need for new construction for the JV, the possible demand for the relevant products on the domestic market, etc.

In addition to a finalized proposal, however, a partner may raise a debatable point or suggest an alternative for implementing ideas. Unquestionably, information requested will be absolutely identical for all firms regarded as potential partners.

Having received the answers from foreign firms, the Soviet side compares all their aspects. In accordance with the aims of the JV to be established and the proposals from foreign firms, the Soviet side estimates the projects submitted on the basis of comparable criteria.

The further procedure of selection usually requires negotiations, the start of which is decided upon in a statutory manner.

Information supplied by the banks becomes an important component of the search for a partner. With the practice established, the banks are best informed of the affairs of a firm, so information from them is a substantial and often the most dependable source of data on the position of a company or firm in the business circles. Therefore, the Soviet side attaches enormous significance to bank estimates.

In selecting a partner one can use the practice of international tenders. International tenders are a competitive form of purchasing machinery and equipment, of placing orders for construction, with which the organizers involve suppliers in competition for the right of fulfilling orders. Tenders may also be held in a search for a JV partner. Depending on the concrete tasks pursued by a partner from a base country, the procedure and terms of holding tenders are different. Tenders may be open or closed. With open tenders the Soviet side is interested in the largest number of bidders to have a significant choice of partners. As for closed tenders, only a few foreign firms take part in them, which is possible in case of a special interest of the partner of a base country, as well as in the event of the desire to attract to tenders only a definite range of firms well known to the clients in the relevant field.

At present the CCI of the USSR is doing much to assist Soviet producers in holding tenders.

3. Drafting of Protocol of Intentions

Preliminary negotiations to clarify the basic positions of the partners are rounded off with a Protocol of Intentions. Although it is not an obligatory legal form in founding a JV, it is desirable to both the foreign and Soviet partners, since it simplifies the preparation of the constituent instruments. The signing of a Protocol of Intentions is preceded by the preparation of the positions of the partners, which includes the following main questions:

— total volume of production by the JV;

— volume of deliveries to the domestic and foreign markets;

— proposals for the size of the authorized fund;

— shares of the partners in the authorized fund;

— correlation between the partners' own and borrowed funds, the possible sum of credit and the prospective creditor bank;

— general requirements for equipment;

— availability of skilled manpower and the demand for foreign personnel;

— organization of sales and possible post-marketing service;

— transfer of profit of the foreign partner;

— sources of proceeds and the use of convertible currency;

— possibility of using the trade outlet, trademark, and advertising services of the foreign partner for marketing products;

— requirements for the economic efficiency of the JV as a whole, for the profitability and recoupment of contributions to the authorized fund and other expenses involved in setting up the JV.

Clarifying these questions and their inclusion into a Protocol of Intentions facilitate efficient study of techno-economic information and, further, the preparation of a feasibility study.

Businessmen directly involved in organizing new production or a service establishment are well aware of the great role played by the banks in any field of enterprise. A bank expert examination provides exhaustive information about a partner and advice on a wide range of questions involved in the JV's future financial activities. For Soviet participants an access to bank consultation means orientation on information from the Bank for Foreign Economic Affairs of the USSR, which is in possession of a pool (system) of data on the current state of affairs on the world's financial markets and, like all the banks of other countries, forecasts the movement of loan capital. The Bank for Foreign Economic Affairs of the USSR has long won prestige on the international scene; therefore, its services in the field of quests and choice of a partner will be useful to the founders of a JV.

In setting up a TTWG the Soviet partner must also apply to the Bank for Foreign Economic Affairs of the USSR for consultation on the possible terms of credit to the JV and, already at the stage of signing the Protocol of Intentions, the partners should have a clear idea of the procedure for obtaining credit. Clarifying these questions may have a decisive influence on the entire process of setting up a JV.

4. The Formation of the Authorized Fund

As noted in the foregoing, the partners should agree on the formation of the authorized fund, which is to be the initial basis for future productive activity. First of all, it is necessary to estimate its total value by the time of attaining the design capacity, proceeding from the projected total scope of operations of the enterprise. Further, the partners establish the size of capital at the first stage of founding a JV. The authorized fund or capital, is the amount of resources required in the initial period of the activities of a JV.

The authorized fund exists in a definite material form as a land area, buildings, structures, equipment, various communications, and natural resources.

The authorized fund in terms of value is fixed and circulating capital.

The partners should be familiar not only with the natural material structure but also with the estimated value of the authorized fund; this is the key question in sizing up the share of every partner in the authorized capital. It has been laid down in Soviet normative acts that the share of a foreign partner from a capitalist or developing country should not exceed 49 per cent. The same acts envisage that the cost of the components of the Soviet and foreign partners' shares in a JV is estimated on the basis of contractual prices taking account of the world market prices or on the basis of foreign trade prices. Consequently, the partners are granted greater leeway in estimation; they agree on prices oriented to world practices and the specific features of every enterprise. The authorized fund of a JV is formed of the partners' shares and may later absorb income from its economic activities or, if necessary, be augmented with additional contributions from the partners.

By agreement between the partners their shares are estimated both in roubles and foreign currency. If the partners have agreed on estimation of their shares in roubles, the conversion from foreign currency to roubles is made in accordance with the official exchange rate of the State Bank of the USSR as of the date of signing the agreement on founding a JV or another date agreed upon by the partners.

In estimating the value of land, the Soviet partners proceed from the estimates made directly by the local bodies of government. In certain cases, the partners agree on estimation of a land area on the basis of the prices existing in the partner country. To set the prices of land plots the central economic bodies have worked out a number of recommendations and instructions to assist local bodies of government, as well as the direct founders of a JV. Estimation of the value of land takes into consideration the characteristics used in world practices, such as the geographical position of a plot of land, the distance from it to the suppliers of raw materials and the market outlets, the existence of an infrastructure, electric power supply, the availability of housing, socio-cultural services, etc. If the land is used directly for agriculture, its value is estimated by local bodies of government by agreement with the State Agro-Industrial Committee of the USSR.

Estimation of the value of mineral and other natural resources included into the authorized fund by the host side is an independent task. The uniqueness of natural resources (mineral depositis, forest-land, etc.) dictates its own conditions of estimation. If development of subsoil deposits, etc. requires nature conservation, the spending for it can also be estimated and be made part of the share in the authorized fund.

The cost of buildings, structures, engineering communications, elements of the production and social infrastructures included into the Soviet partner's share is estimated on the basis of the cost of new buildings, communications, structures, etc. built in the USSR under contracts with foreign construction, construction and assembly firms and organizations. In addition, the cost of buildings and structures currently in use should be reduced by the percentage of their wear and tear based on the amortization rates effective in the country.

Estimation of the value of buildings and structures can be made on the basis of corresponding data published in special handbooks of the leading capitalist construction and assembly firms. Similar information is available to foreign trade associations.

The value of the equipment contribution by the partners in a JV to the authorized fund is estimated on the basis of prices on the main commodity markets. A concrete price is based on the concrete prices of deals made by foreign trade associations in export-import

operations. This allows determination of the general level of prices for articles of this kind on the world market.

It is also necessary to know the price of licences and know-how, if they are contributed by the partners as their share in the authorized fund. This price is estimated on the basis of:

— the type of the object handed over under licence or its legal protection;

— the price of a unit of products manufactured under licence;

— the output of products to be manufactured during the period of validity of the licence (5 to 10 years).

In this case, the sum of royalty is set at 2 to 7 per cent of the cost of products manufactured. Some experience in estimation of the cost of licences and know-how has been accumulated in the USSR. Besides the afore-mentioned general approaches other criteria are practically applied in the USSR. They refer to:

— the uniqueness of a licence; the degree of mastering and use by the licensor firm of the processes sold, in terms of commercial effect;

— the periods of mastering a licence;

— the prospects of entry of the licensee to new market outlets.

When setting a concrete price a licensee always proceeds from an analysis of the expenses indispensable in case of completely independent development of identical technical solutions and compares these expenses with the price of the licence. The licensor, for his part, proceeds from the minimum acceptable returns from the sale of a licence.

Thus, the question of estimation of a licence for contributing it to the authorized fund is largely subject to agreement between the partners and hence presents a broad field for genuine commercial coordination of interests.

Western businessmen often believe that Soviet partners are interested only in the unilateral process of obtaining licences and know-how from a foreign partner through a system of joint activities. This is by no means so. Soviet enterprises are in a position to offer their Western partners advanced processes by contributing licences to the authorized funds. In this field, Soviet partners have opportunities which, in our view, are underestimated in the West. The new economic mechanism oriented to all-round development of self-financing stimulates enterprises to implement new technical solutions. Contributing licences to an authorized fund on the part of the Soviet side is one of the ways of such stimulation.

The afore-mentioned cost estimates help form the fixed capital of the authorized fund. The activities of a JV, however, demand circulating capital as well. Circulating capital may be presented in roubles, convertible currency, raw and other materials required for the initial stage of organizing production.

If the partners have agreed on the size of the authorized fund and estimated the total value of the future JV, the next question that logically suggests itself is one of gaining credit to secure the commencement of the operations of the enterprise, that is, it is a question of credit the partners expect to receive immediately following the registration of the JV.

It is known in business practice that any credit requires guarantees from the borrower, that is, the bank needs to be confident of repayment of the credit on time with payment of fair interest. Therefore, creditor institutions will not grant credits to a JV automatically but will study the commercial indicators of its activity. A JV will be liable before the bank with all its property and, hence, the size of the authorized fund is one of the conditions of guarantee; by analyzing the structure of the autohorized fund the bank gains an idea of the solvency of the JV as a client. Therefore, the Bank for Foreign Economic Affairs of the USSR, as well as specialized banks are reluctant to grant credits to JVs requesting sums of credit equal to or greater than the size of their authorized funds. Moreover, the banks believe that a JV is capable of stable operation only if its authorized fund is equal to or greater than 50 per cent of the total expenditure on initiating and securing the opening period of its activity. Although according to normative acts the share of borrowed funds in the total capital of a JV is not limited, a foreign partner should orient himself to the international practices of credit, which is broadly applied by Soviet banks.

The size of the authorized fund reflects on the whole the size of the enterprise, although quite approximately, since only its complete value, the size of the entire fixed capital, the volume of product output, and the number of its employees — all put together — will give an idea of the size of the enterprise. As of January 6, 1988, there were 23 registered JVs in the USSR, 20 of them involving firms from the capitalist countries.

The authorized fund is above 10 million roubles in 5 of the registered JVs, from 1 to 10 million roubles in 8 JVs, and up to 1 million roubles in 6 JVs. This indicates that JVs are mostly medium-sized or small. The Soviet side as represented by the partner enterprise is interested in highly efficient production rather than in the big size of a JV.

Thus, at the stage of formation of the authorized fund it is necessary to anlyze the different aspects of the economic activity of the enterprise, both partners taking a direct part in this study.

5. Personnel of a Joint Venture

Personnel of a JV consists of Soviet and foreign specialists, Soviet citizens making up the greater part of the staffs.

According to normative acts, the terms of pay for work to Soviet citizens, the rules of their work and rest, social security and insurance are regulated by Soviet legislation.

The rules of work established in a JV apply to foreign nationals as well. The other questions involved in the relations of a foreign national with a JV are settled in a contract. The latter stipulates the procedure of granting holidays, the system of pension deductions and medical services, etc. The earnings of foreign specialists employed by a JV are taxed in accordance with the Decree of the Presidium of the Supreme Soviet of the USSR of May 12, 1978 "On Income Taxation of Foreign Juridical and Natural Persons".

If the pay for work to a foreign national is made under an individual contract concluded with the management, the number of those employed in a JV is not limited in normative documents but is set in accordance with the demands of production by agreement between the partners. Therefore, the founders of a JV are allowed complete freedom of action in choosing a variant or organizing production, in particular, for a reduced number of employees.

Indisputably, the question of pay for work done is the most important one for the personnel. Pay to Soviet personnel is regulated by Soviet legislation. The sources of pay for work done to the personnel of a JV is the wages fund and the material incentives fund formed of profit remaining after payments of taxes to the state budget. The wages fund is used to make fixed payments and the material incentives fund is used for payments of bonuses, award, etc. The wages fund is calculated on the basis of statutory norms effective in the USSR.

Foreign investors experience considerable difficulties in analyzing the problems of pay for work to personnel. Numerous questions asked by Western businessmen most often concern precisely wages and salaries. The difficulties arising in this context are largely due to ignorance on the part of a Western partner concerning the mechanism of forming the wages fund now existing in the USSR. Moreover, reverting to past stereotypes they often allege that it is impossible to encourage an employee for the quality of work, initiative, etc. in the USSR. Therefore, it would be reasonable to touch on this question.

On January 1, 1988, the Law on the State Enterprise (Association) entered into effect. It substantiates the mechanism of pay for work at a state enterprise.

In accordance with this Law the wages fund is formed by the norm in relation to the measure of production (for instance, net production or marketable production). Another principle of forming the wages fund is based on deductions to the fund by the norm to the income of the enterprise, which is made up of the difference between the proceeds from marketing products and the material spending on their manufacture. Naturally, differential norms are set for different branches of the national economy. For a JV the first principle will mean that the cost volume of production can be calculated in contractual prices, taking account of the world market prices. This means an overstatement of the cost volume of production as compared with Soviet enterprises, and hence the application of the effective branch norm at an analogous state enterprise will distort the real picture of the level of pay for work in a JV.

Let us examine the second principle, which is also broadly applied at Soviet enterprises. For a joint venture it is possible to estimate the difference between the expected returns (quantity of products turned out multiplied by the expected price of a unit of production) and the expenditures of the enterprise. However, wages and salaries are reimbursed from the cost of production, that is, from the expenditures, while material incentives are paid from profit. Therefore, such an approach is possible when the JV attains a rhythmic, stable rate of operation and its designed capacity. For the time being, however, one can apply the method of setting the wages fund for the basic personnel of a JV by proceeding from the branch norms for its formation at Soviet enterprises manufacturing similar products in the same volume. This will enable formation of the realistic size of the wages fund, which is an important component of production costs. A single wages fund will entail an unwarranted overstatement of the amount of expenditures in a JV, and hence will reduce the competitiveness of its products on the market and will not stimulate high-quality workmanship.

Foreign businessmen usually ask many questions concerning the possibilities of encouraging personnel employed in a JV. Normative acts do not regulate the amount of material incentives to the personnel of a JV; therefore, the question of the size of this fund is settled by mutual agreement between the partners, and their decision is fixed in the constituent instruments. The volume of the fund is formed from percentage deductions from profit following the payment of taxes and varies with the amount of percentage itself and the size of profit. The percentage of deductions may be differentiated to achieve flexibility in the entire system of pay for work done and its orientation to the end results. For instance, agreement may be reached on deductions to the fund at a rate of 2 to 9 per cent, depending on the actual rate of profit. If the rate of profit on capital constitutes 7—10 per cent, than 4 to 5 per cent of the profit remaining after taxes go to the material incentives fund; if the rate of profit is 10 to 15 per cent, the incentives are calculated at a rate of 5 to 7 per cent, and if the rate of profit is above 15 per cent, the incentives are calculated at a rate of 8—9 per cent of the profit remaining after taxes. Such an approach makes it possible to manoeuvre the financial resources of the enterprise, to encourage its personnel to improve not only the individual but also the group results of work performance.

The training and advanced training of personnel has an independent significance in the relations between the JV management and the personnel. Experience has proved that in the process of negotiations the foreign partners and Soviet founders meet with this problem in connection with technology and production processes new to Soviet workers, technicians and engineers; hence the necessity of personnel training. It would be useful to train members of the managerial personnel as well, which is also provided for in the constituent instruments of many of the JVs already functioning. The foreign partner is entitled to list the expenses on such training as its contribution to the authorized fund, having estimated all the expenses required for such training. The expenses on personnel training in the initial period of the activities of a JV may also be entered into the balance-sheet of the JV itself, which means that these expenses will become a component of the costs of production.

In the process of its functioning a JV faces the need to advance the qualifications of all members of its personnel — engineers, technicians, workers and management (most JVs are set up for a period of 10 to 15 years). The spending on advanced training is envisaged in the JV budget, taking account of the contemplated modifications of production and changes in processes.

6. Marketing of the Products of a JV on the Domestic and Foreign Markets

Under Soviet legislation, joint ventures are juridical persons, and it is precisely in this capacity that they perform all operations involved in marketing products. The

state bodies of the USSR do not hand down obligatory planned assignments to JVs. According to the aforemetioned Decision No. 1074, the JVs themselves lay down the procedure for marketing their products. At present, in the new conditions of economic management, the JVs can market their production through the following:

— the branch systems of logistics and marketing;

— the territorial divisions of the State Committee for Material and Technical Supply;

— foreign trade organizations;

— the wholesale trade system.

By agreement with Soviet user enterprises the settlements for marketable products of JV may be effected in hard currency. The above-mentioned ways of marketing products of a JV by no means imply the existence of any guarantees of marketing whatsoever. However, the possibility of a manoeuvre in choosing the way of marketing, of combining the marketing of products, for instance, through foreign trade organizations and through the branch systems of material and technical supply, will enable a JV to create a market independently, that is its own market with permanent customers who are bound to appear, if the products of a JV are of a high quality and dependability.

At the stage of a feasibility study prior to production the partners define the range of their potential consumers and perform marketing research. When a JV commences marketing its products, it will be important, first, not to disappoint the expected consumers and, second, to win new customers.

The sales market of a JV has a number of distinctive features. First of all, it consists of two segments — the Soviet domestic market and the external market. Therefore, it is mandatory to make a comprehensive study of the specific requirements of each market, on the basis of which a price policy can be planned.

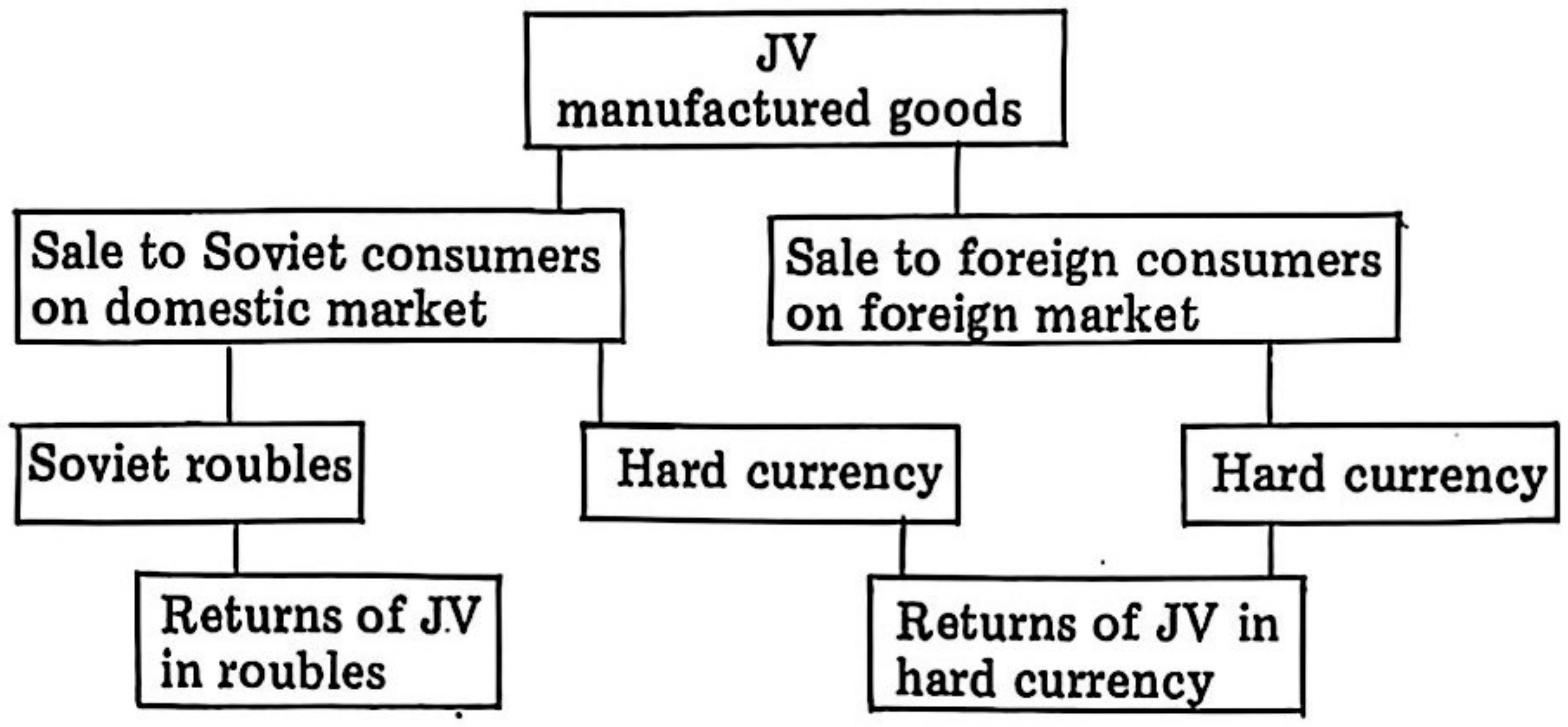
If on the foreign market products are marketed for convertible currency, on the domestic market a JV can gain proceeds both in roubles and hard currency. Hence the need for a price differentiation not only on the foreign market but also on the domestic market, depending on whether the buyer pays hard currency or roubles.

The JVs sell their products to Soviet consumers at contractual prices, taking account of the world market prices. Hence, a contractual price may be based on a contract price of analogous products or products with similar characteristics in export-import operations of Soviet foreign trade organizations. These prices are regulated, taking into consideration the difference in transportation costs. They are marked by high-degree concreteness and, therefore, demand consideration of the entire aggregate of factors influencing price formation, such as complete assortment, the volume of deliveries, etc.

Contractual prices of products sold to Soviet consumers can be set for every batch of commodities. Contractual prices may be fixed for a definite period: a quarter, a half-year, a year, etc.

When selling products to Soviet consumers the afore-mentioned considerations should be applied to the calculation of prices both in roubles and in hard currency (see Chart 1).

Chart 1


JV
manufactured goods
Sale to Soviet consumers on domestic market
Sale to foreign consumers on foreign market
Soviet roubles
Hard currency
Hard currency
Returns of JV in roubles
Returns of JV in hard currency

As a result of the restructuring of the Soviet mechanism of foreign economic activity, enterprises now have their own hard currency funds formed by marketing their export products. An analogous principle is applied to the formation of the hard currency funds of the ministries. Therefore, Soviet clients can pay to a JV for its products in hard currency, but they will always

compare its products with analogous products they can import from abroad with their hard currency funds for quality, price levels, the organization of post-marketing service, correspondence of products to standards effective in the USSR, etc.

Buying products of a JV and paying for them in roubles, a user enterprise will also compare the price of these products with that of analogous products of a Soviet supplier enterprise, compare them for quality and other parameters. Therefore, the JV will find itself in conditions of competition, and profitable conditions of production will become the sole guarantee of marketing products.

In the event of marketing products on the foreign market, export prices of a JV must be based on the prices formed on different markets under the impact of the competitiveness of products and reflect production costs and the consumer properties of commodities.

The establishment of a marketing network abroad by sending foreign missions and maintaining one's own offices and personnel requires great spending and the solution of many organizational questions. In view of this, it would be reasonable to take advantage of the marketing network of the partners already functioning smoothly in various regions.

On the Soviet side, marketing networks exist abroad in lines of business of foreign trade organizations of the USSR Ministry for Foreign Economic Relations, the branch ministries and government departments. In this case a JV concludes agreements with foreign trade organizations, which have a legal status. The agreements stipulate the following:

— the rights and duties of the parties;
— the terms of marketing goods;
— the period of marketing goods;
— payment for the services of a foreign trade association.

If a foreign partner has a marketing network abroad, it may be placed at a JV's disposal. The initiators of the JV will certainly conduct an economic analysis of both variations and choose the most profitable one.

Successful activity on the market is made possible by the modern organization of marketing. As a rule, the foreign partner is better familiar with marketing and has sufficient experience in this field. The Soviet partner, whose work was not until now linked with winning customers is inadequately oriented to this direction. Insufficient knowledge of marketing does not imply the absence of experience in the Soviet managerial personnel of a JV (managers, on the contrary, have an ample idea of the significance and scope of marketing in the activities of foreign frims) but means the unfitness of the economic mechanism of the enterprise to react to changes in the market situation promptly enough. This constitutes an important task of organizing and managerial work in the JV in the sphere of marketing — setting up a system of efficient adaptation of production to market fluctuations and types of products to market demands.

For a JV it is important not only to explore the existing market but also to find the right ways and means of creating a new market, including the organization of technical servicing, repairs, warehousing of spare parts, and advertising.

If, in the process of the activities of a JV, the founders find it necessary to organize cooperation ties with firms, enterprises, associations and other organizations from socialist, capitalist and developing countries, no special permission will be required for that. Cooperation ties must be set up on the basis of the main productive activities of the enterprise, and such a form of foreign economic activity is allowed to a JV as a juridical person, which has been legally established.

7. The Structure of the Funds of a JV

The building up of funds is an important component of JV economic activities. Already at the early stages of preparing the project of a JV there is need to settle the problem of expanding production, stimulating the work of personnel, setting up a reserve fund, etc. Any businessman is aware of the fact that success of the entire venture depends on the purpose and sources of financing funds. The question of JV funds is interlinked with the questions of pay to personnel, organization of production, and formation of profit.

Normative acts do not regulate the number and purpose of these funds; the founders themselves decide how many and what funds are to be set up at the enterprise. Only the reserve fund is obligatory, and its size should reach 25 per cent of the authorized fund.

The sums remitted to the funds of a JV are property of a given enterprise. The structure of the funds is subject to agreement between the founders, and is based on the specifics of a given JV. All the questions concerning the funds are set down in the constituent instruments.

The JV funds can be structured by different characteristics. The chief criteria are the sources of financing or formation and the aims of establishing.

In relation to the sources of formation the funds may be divided into three groups:

— funds formed from the expenses included in production costs;

— funds formed from deductions from balance profit before tax;

— funds formed from profit remaining after tax paid to the state budget.

With regard to the purpose of the funds three groups of funds can be singled out:

— the reserve fund;

— the amortization fund, the production, scientific and technological development fund, etc.;

— the funds for material incentives, cultural and recreational events, and housing construction.

Chart 2

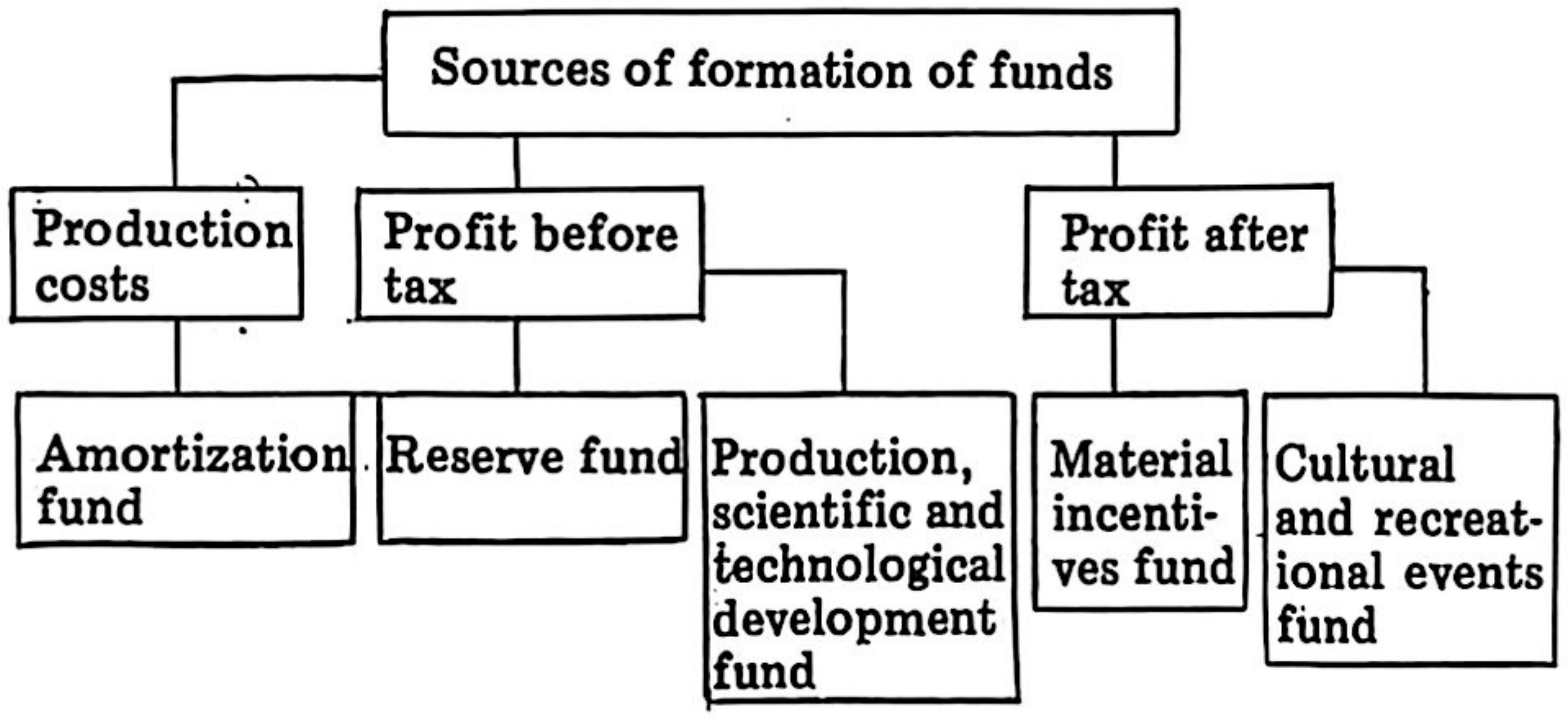
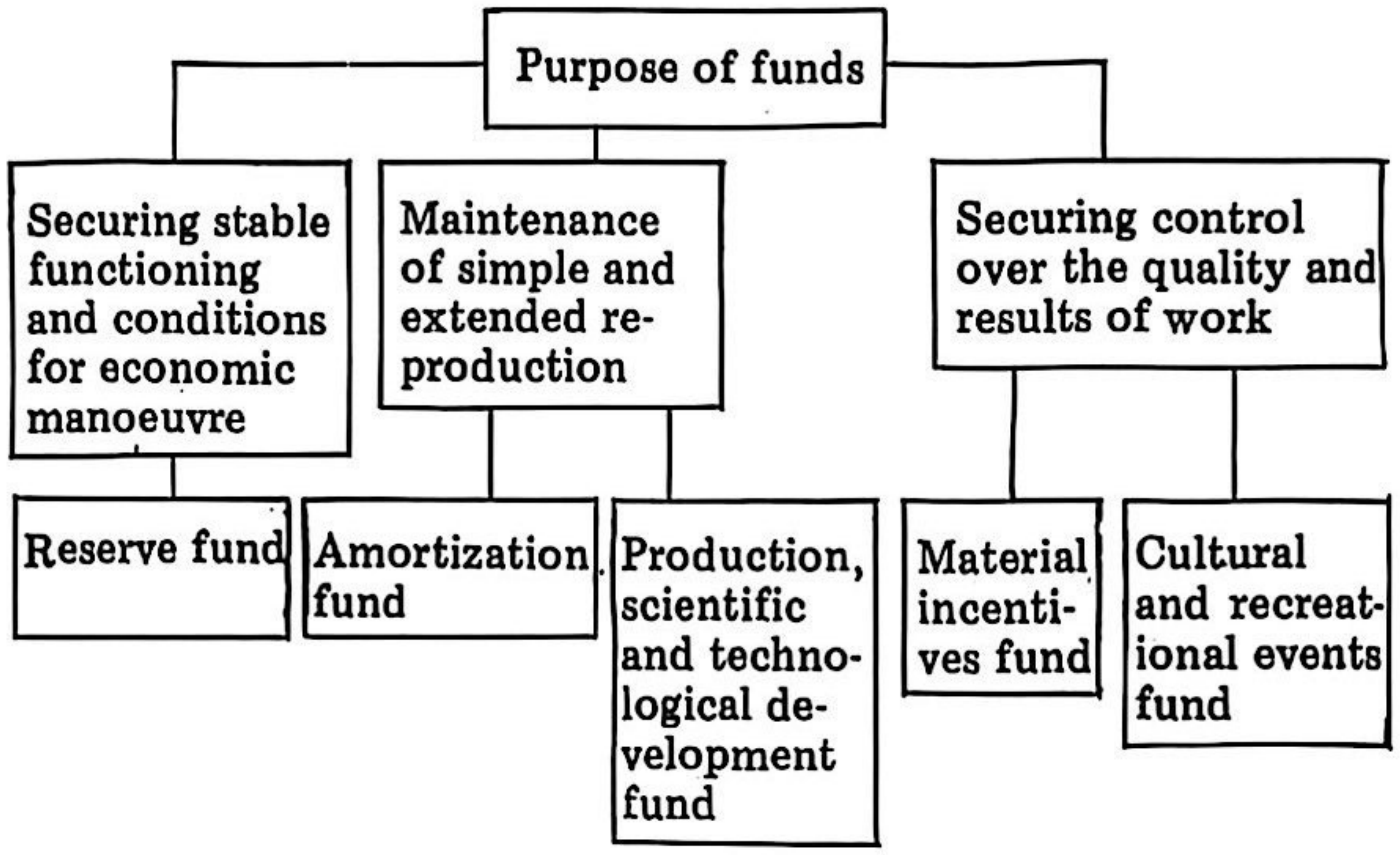

Sources of formation of funds
Production costs
Profit before tax
Profit after tax
Amortization fund
Reserve fund
Production, scientific and technological development fund
Material incentives fund
Cultural and recreational events fund

Chart 3


Purpose of funds
Securing stable functioning and conditions for economic manoeuvre
Maintenance of simple and extended reproduction
Securing control over the quality and results of work
Reserve fund
Amortization fund
Production, scientific and technological development fund
Material incentives fund
Cultural and recreational events fund

The five funds indicated in the chart by no means signify a number obligatory to the founders. These charts merely illustrate the purpose of the funds and their sources. Let us dwell in greater detail on the procedure of fund formation.

Amortization deductions are made from the main functioning capital as compensation for its depletion. For Soviet enterprises the rates of amortization deductions are set in accordance with the specifics of every branch. Deductions to the amortization fund are an important item of spending on production.

The amortization fund of a JV is intended for the same purposes. The sums deducted to the amortization fund are property of a JV and can be used for restoration from wear and tear and for renovation.

Experience shows that deductions to the amortization fund are made, in the main, at the effective branch normative rates. An excess over a branch normative rate automatically entails an increase in production costs, part of which are precisely amortization deductions. This in turn has a negative impact on the competitiveness of products. A reduction in the normative rate of amortization deductions below the real period of service also has a negative impact on the performance results of a JV, since in this case amortization will cease to reflect actual depreciation, and the deductions will be insufficient for renovation of equipment. As property of a JV the amortization fund may be used for repairs, modernization, and replacement of part of the equipment as the fund builds up.

The partners should work out an efficient amortization policy to maintain the main capital at a modern level.

The funds linked with production development are formed from balance profit. The balance profit of a JV is the difference between the proceeds from marketing products and material expenditure. The balance profit, just as the entire balance of an enterprise, is calculated in roubles; therefore, the returns from marketing in hard currency should be converted to roubles at the exchange rate of the State Bank of the USSR as of the date agreed upon between the founders. The expenditures should be calculated in a similar way. The number of funds linked with production, scientific and technological development is not limited. These funds are spent on expanding and modernizing production, on development work to introduce new types of products. Spending on marketing is reimbursed from the same funds, since modifications and innovations are linked with variations in the market situation.

The normative rate of deductions from profit to these funds should be fixed in the constituent documents. The founders should plan the strategy of developing the enterprise and hence estimate the amounts of profit making up the development funds. The resources in these funds are also owned by a JV and, therefore, can be used in a way envisaged in the decisions of its management bodies. In working out this problem it would be reasonable to consider the following factors:

(1) the possibilities and conditions of bank credits to the enterprise;

(2) anticipated modernization;

(3) anticipated changes in the assortment of products;

(4) the period for which a JV is to be established.

The funds for material incentives to personnel, cultural and recreational events, and housing construction are formed from profits after tax. All deductions to this group of funds are a direct deduction from net profit subject to sharing between the partners. Therefore, the greater the size of such funds, the smaller the amount of profit each partner can get. Funds of this kind, however, influence substantially the rates of pay to personnel, linking the work results and remuneration into a single whole. The existence of an independent bonus fund will enable the management to pursue a flexible policy in payment for work to its Soviet and foreign personnel.

In the system of funds special significance is attached to the reserve fund. As said in the foregoing, its size is rigidly fixed: 25 per cent of the authorized fund. The main deductions to the reserve fund should preferably be made in the first two years of the operation of the enterprise, since during this period it is exempted from paying taxes to the state budget.

The reserve fund can be spent for any purposes envisaged in the constituent instruments. These may refer to:

(1) repayment of credits in case of inadequate funds during a certain period;

(2) payment of tax to the state budget for the accountable year in the event of insufficient actual profits;

(3) emergency purchases of raw materials and complementary articles in case of an unanticipated increase in the output of products of some specified type, etc.

Any exaction of resources from the reserve fund, however, is an emergency in the economic life of an enterprise, a warning signal of bottlenecks in the managerial, organizational or production spheres of its activity. Therefore, the constituent instruments should clearly specify cases warranting a decision to use part of the fund's resources, stipulate the conditions of reimbursement of the expended sums. If the size of the authorized fund is changed, the size of the reserve fund should be changed accordingly. The stability of the reserve fund is simultaneously an indicator and a guarantee of the successful operation of an enterprise.

8. Taxation of a JV

A correct idea of the amount of profit returns is a prerequisite of authentic economic information on the activities of a JV. To understand clearly what profit is subject to taxation, it is necessary to analyze the mechanism of calculation of JV profit. Any businessman is familiar with the mechanism of calculation of profit in his area of enterprise. Calculation of profit of JVs operating on Soviet territory is distinctive in that it is made in roubles and foreign currency. The process of calculation of profit may conventionally be divided into three stages:

The First Stage. Calculation of Balance Profit

The starting point of calculation of profit is calculation of the proceeds from marketing the products of a JV over an accountable period, e.g. a year. These proceeds may be made up of two main components: the volume of proceeds from marketing products on the Soviet domestic market expressed in roubles and the volume of sales on the foreign market expressed in foreign currency. Since accounting work in a JV is done in roubles, the proceeds from marketing on the foreign market obtained in foreign currency cannot be automatically included into the volume of proceeds from marketing. The proceeds in foreign currency should be converted to roubles in accordance with the rate of exchange of the relevant currency set by the State Bank of the USSR for the current day. Following calculation in roubles of the proceeds from marketing, the sum of expenditures on production — production costs plus transportation costs of a JV — is deducted from the proceeds.

Production costs may include spending in foreign currency on raw and other materials, and complementary articles purchased abroad. The procedure of inclusion of spending in foreign currency into production costs is analogous to that presented above in calculation of the amount of profit. The same procedure is applied to settlements to be made further.

The sum obtained is increased by the sum of interest on depositis in the banks and is reduced by the sum paid as repayment of bank credit and payment of interest on borrowed funds both in roubles and foreign currency.

The sum obtained is corrected by the difference from other sums remitted to the account of the JV and the fines, penal charges and penalties paid. **The resulting sum is balance profit.**

The Second Stage. Profit Subject to Taxation

Balance profit is used to make deductions to the reserve fund, as well as other funds of a JV intended for developing production, science and technology by the normative rate set in the constituent instruments. Insurance premiums are also paid out of balance profit. **The sum remaining after these deductions is profit on which tax is paid to the state budget at a rate of 30 per cent.** The tax is remitted to the state budget in roubles.

The Third Stage. Profit Subject to Sharing Between Partners

From the sum left after paying taxes deductions are made to the funds of a non-productive, social character, the material incentives and other funds. The net profit of a JV remaining after deductions is shared by the Soviet and foreign partners in proportion to their shares in the JV authorized fund. The net profit is also reflected in roubles in accounting records. (The distribution of the net profit of a JV left after paying taxes will be discussed below).

The calculation of profit and the payment of tax on profit are carried out directly by the relevant services of a JV; therefore, they are responsible for correct calculation, timely payment of tax to the budget, as well as for timely presentation of corresponding accounting records to the financial agencies.

Calculation of the advance sum of tax on the current year's profit is effected by a JV on the basis of the current year's plan. Tax on profit is remitted to the financial agencies in the area of the location of the JV, quarterly, in the amount of one fourth of the sum of annual payment. Calculation of tax on actual profit is made by a JV in the year following the accountable year in accordance with the balance results of the previous year.

Although tax on profit is paid in roubles, profit calculated in roubles may exist in its natural form in foreign currency. It may happen that the sums of the rouble account of a JV are insufficient for paying the tax; then, the sums on the hard currency account of the JV with the Bank for Foreign Economic Affairs of the USSR are used to pay the tax. The Bank converts the requisite sum in foreign currency to roubles by the exchange rate of the State Bank of the USSR on the current day and remits the tax to the budget revenue in accordance with the established procedure.

A delay in payment of the tax is penalized by a charge of 0.05 per cent for each day of the delay.

A JV is provided with substantial privileges in terms of taxation.

First of all, it is exempted from the tax on profit during the first two years from the time of obtaining delcared profit. Declared profit is profit indicated in the balance-sheet of the enterprise.

Normative acts allow the Ministry of Finance of the USSR to apply reduced taxation rates or completely exempt a JV from the tax on profit. Such privileges are granted to a JV if it has recommended itself as a dependable exporter of products, is oriented to manufacturing products in an area of priority to the Soviet economy, manufacturing import-substituting products and introducing progressive processes.

To substantiate a request for a tax rebate a JV submits an application to the local financial agency along with a statement in support of its claim and the relevant accounting records. The question of a tax rebate is considered on its merits in each particular case. The final decision is taken by the Ministry of Finance of the USSR.

Foreign auditor firms may be invited to verify the financial, economic and commercial operations of a JV and to help compile accounting records. For a foreign partner applying to a specialized auditor firm is a habitual and familiar matter, nor is it an exceptional case in the activities of a JV on Soviet territory. Accounting records are kept in accordance with forms existing in the USSR. Therefore, knowledge of these specifics by auditors should be paid due attention. The auditor firm **Inaudit**. working on the principles of self-support has been set up in Moscow to provide services to JVs.

9. Distribution of Profits Between the Partners of a JV

The profit left after the afore-listed settlements is divided between the JV partners in proportion to their shares in the authorized fund. Foreign partners are guaranteed the transfer of profit in foreign currency due to them following this distribution.

The question of the concrete forms of profit transfer involves certain difficulties. Since the accounting work is done in roubles, the profit of a foreign partner subject to transfer is expressed in roubles in the accounting bills. Profit transfer in this case can be effected in the following ways:

1. A JV functions on the principle of complete self-recoupment in hard currency; its balance account with the Bank for Foreign Economic Affairs of the USSR contains sufficient sums to meet the demands of the JV in the process of its operation and to pay the foreign partner its share of profit in foreign currency. In this case, the share of profit in roubles due to the foreign partner is converted to the relevant currency by the exchange rate of the State Bank of the USSR on the current day. The resulting sum of profit in foreign currency is remitted to the foreign partner from the balance account of the Bank for Foreign Economic Affairs of the USSR. In case of taking profit in foreign currency out of the USSR it is taxed at a rate of 20 per cent unless a different procedure is envisaged in an inter-state agreement.

2. A JV has sufficient funds in hard currency to meet its own demand for it in order to maintain normal production and marketing operations; however, its hard currency resources are not enough for the transfer of its foreign partner's profit abroad. In this case, the part of profit secured with hard currency is remitted abroad.

The other part of profit obtained in a rouble equivalent can be used by the foreign partner to purchase commodities on Soviet territory under the established procedure. In the event of inadequate hard currency receipts from exporting products, a JV may rely on receipts from sales on the domestic market for foreign currency, which is envisaged in Decision No. 1074. (Purchases for foreign currency are made out of the foreign currency resources of enterprises or the centralized foreign currency sources of the ministries).

3. A JV manufactures import-substituting products; the procedure of profit transfer is set down in each particular case.

A foreign partner entitled to a tax rate reduction must submit a request to the Department of State Revenues along with a set of relevant documents concerning a return of the tax sums wholly or in part.

Following a distribution of net profit between the partners in a JV, two ways of using profit due to the foreign partner can be used (the variant chosen should be stipulated in the constituent instruments).

If profit is remitted abroad in hard currency, it is taxed under the afore-mentioned procedure. If profit is used to purchase commodities, the sum paid for the commodities is exempted from the 20 per cent tax. (For greater detail on the procedure of accounting and preparing documents for taxation, see the relevant instructions of the Ministry of Finance of the USSR).

10. The Structure of JV Managemen

The managerial system of a JV combines up-to-date methods of international management, and is an example of close cooperation of partners in taking decisions on the main problems of the organizational and productive activities of their enterprise.

The JV management bodies are traditional: the Board of Governors, the Board of Directors, and the Auditing Commission. The management structure conforms to international standards, but its variant is chosen by the partners.

The supreme body of a JV is the Board of Governers (Council). The Board exercises strategic direction of the JV, plans the technical and economic policy of the enterprise, settles the problems of renewal of the assortment of products and modernization of equipment, distribution of profit, formation of the funds of the enterprise, pay for work, etc.

The decisions taken by the Board of Governors are implemented through a system of measures carried out and controlled by the Board of Directors, which performs the functions of direction of current operations. The Chairman of the JV Board of Governors and the Director-General are Soviet citizens. A soviet citizen in his capacity of Director-General is competent in questions concerning the economic mechanism of the USSR and hence is more familiar with ways to handle many practical problems that will inevitably face the JV. A foreign national would find it difficult to direct divisions of the enterprise without knowing the specific features of material and technical supply in the Soviet economy, marketing products, the rules of keeping accounting books, and lacking experience in work with Soviet personnel.

The Board of Governors is the supreme body of management of JV. It may consist of 5 to 7 members (number of members is determined by the partners alone) and should not be too large so as to ease regular attendance of meetings by all the members. The number of members of the Board of Governors from the Soviet side and from the side of the foreign partner is not stipulated in normative documents, the decision on the numerical representation on the Board is taken by the partners and recorded in the constituent instruments.

All representatives of the founders on the Board of Governors are personally appointed by the partners. Each partner is entitled to revoke its representative at discretion and at any time and appoint another representative, having notified its partner in advance (the period in which notification should be made is indicated in the constituent instruments).

Experience in international management suggests that it is practicable to appoint "reserve" members of the Board of Governors who can attend meetings as non-voting members; this group of stand-by members will thus have an ample idea of the activities of the JV — the prospects facing the enterprise, the most complicated problems in its operations at present, the competitiveness of its products, modernization, the financial position of the JV, etc. Subsequently, they may enter the Board as full-fledged members well informed of all affairs of the enterprise.

The membership of the Board of Directors is determined by a decision of the Board of Governors. The structure of the managerial funcions of a JV necessarily reflects the specifics of the economic performance of the enterprise. In addition to the Director-General, it is necessary to have on the staff, for instance, a commercial director, that is, a director in charge of material and technical supply and marketing, a director for the affairs of personnel, a director of finance in charge of financial affairs, credit operations, and relations with banks, a technical director to supervise production processes.

The procedure of taking decisions is an important factor in the activities of the Board of Governors. This procedure should be stipulated in the constituent instruments. The Board usually meets once in a quarter or half-a-year to settle the following questions:

— changes introduced into the constituent instruments;

— a change in the size of the authorized fund;

— a change in the shares of capital owned by the partners;

— the procedure of formation of funds;

— endorsement of the JV balance;

— examination of the records of profit and loss;

— the use of profit after tax;

— the general conditions of marketing products on the domestic and foreign markets;

— the results of the work performance of personnel.

The constituent instruments stipulate the number of the Board of Governors members required to attend a meeting to make their decision valid.

The control body supervising the activities of a JV is the Auditing Commission. The Board of Governors lays down the number of commission members and the procedure of its work. The Auditing Commission is appointed to verify the annual balance, the correctness

12. Preparation of a Feasibility Study

The agreement between a Soviet and a foreign partner concerning their intention to set up a joint venture on Soviet territory presents only a general outline of contemplated cooperation. At this stage, the founders of a future JV agree on the aims and tentative conditions of the establishment and operation of the enterprise, proceeding from the main interests and possibilities of one another. The details of agreement between the partners, which should be listed in the constituent instruments, require a thorough study of the comprehensive and efficient variant of the conditions of founding a JV and its operation. This involves the preparation of a feasibility study for the proposal to set up a JV.

The feasibility study (FS) is not an obligation document, which is officially signed by the partners and reflects any obligations on their part in relation to one another or to the JV as a whole. Soviet legislation prescribes the Soviet partner to submit FS along with drafts of constituent instruments to higher authorities for approval of the proposal to set up a JV. Thereby the Soviet partner proves the rationality of using natural, labour, material and financial resources to produce goods or services in a JV, as compared with other ways of producing them in the Soviet economy.

In Soviet economic practices it is a matter of course to substantiate in this way any economic measures of whatever significance, let alone one involving not only the spending of Soviet resources but also the attraction of foreign investments. This procedure is dictated by the relations of ownership of the means of production characteristic of socialist society. Proceeding from these relations, every Soviet enterprise makes use of part of public property in its economic activities. Therefore, the Soviet partner in a JV, who invests in it part of its income from self-supporting performance, centralized or borrowed resources, is obliged to substantiate these expenditures to the bodies governing the management of the Soviet economy as a whole on its individual branches. From this point of view, the feasibility study for a JV may seem a matter of concern only to the Soviet partner. However, such an attitude to the FS of a JV will be superficial and wrong in principle.

The building structures, equipment, financial and other resources pooled by the partners in a JV within the authorized fund acquired by this enterprise out of its own income or on credit temporarily become common property of the Soviet and foreign partners. The efficiency of the economic use of property in the process of the operation and development of a JV fully determines the profitability of the investments of both partners. Hence their natural mutual interest in selecting such conditions for setting up an enterprise and its activities that will secure its efficient functioning during the period of validity of their agreement on cooperation.

It would be relevant to point out another important feature of FS, which is also of special interest to the Soviet and foreign partners in a JV. The economic indicators calculated at the stage of FS are normative standards of their own kind for a subsequent analysis of the activities of this enterprise. The Board of Directors and the Board of Governors identify in good time the essence of digressions from the main economic parameters contemplated in FS, such as volumes of output, expenditures, directions of marketing and others, and promptly react to changes.

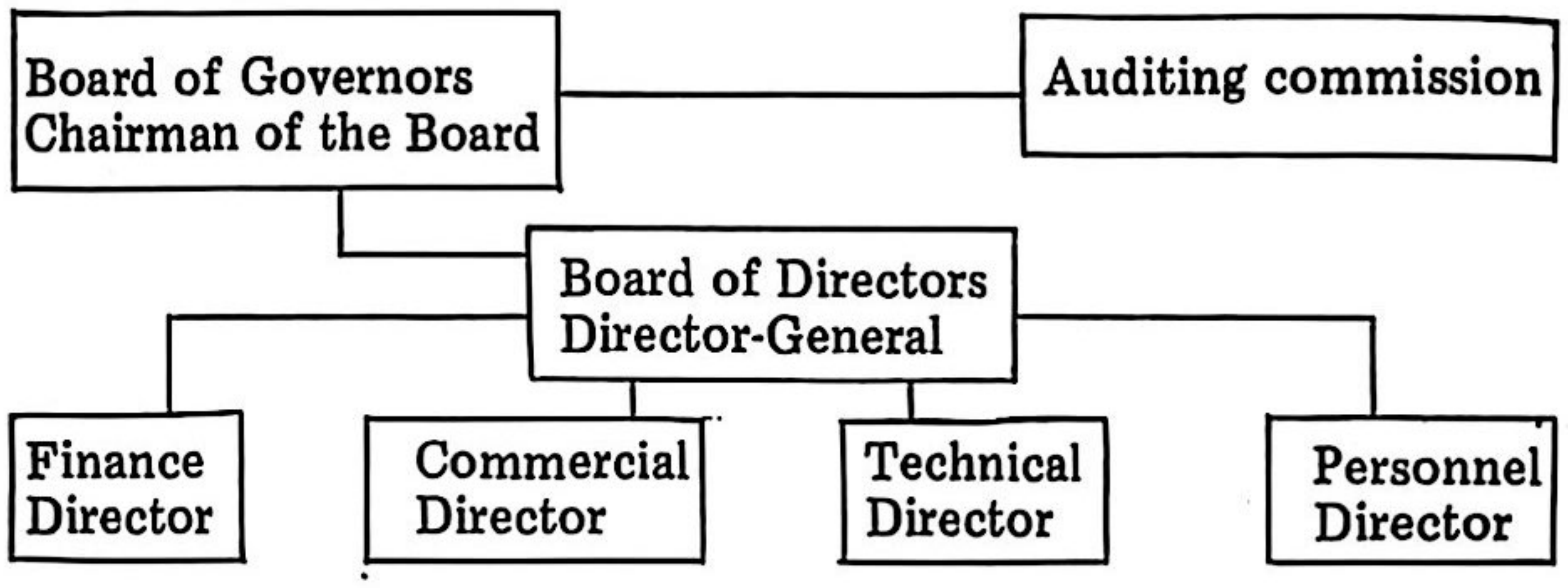
Moreover, the feasibility study defines the economic significance of the establishment and operation of a JV on Soviet territory. This enables Soviet economic management bodies to evaluate the advantages of a JV, to compare its products with products obtained in other ways, for instance, with imported commodities. Estimation of the economic effectiveness of the operations of a JV is highly important for its partners, too. These estimates warrant to a varying extent the partners' hope for certain privileges in taxation, credit, supply of natural, material and manpower resources to the enterprise. Naturally, a JV with more favourable economic indicators in FS will be entitled to expect considerable privileges from the state. In Soviet economic theory and practice the feasibility study of investments projects traditionally attracts great attention. There are many procedural methods which have received practical approval in preparing projects of capital of keeping accounts. The annual balance is verified in accordance with Soviet legislation.

The Board of Governors regularly hears and approves reports of the Board of Directors and examines personnel affairs.

Soviet and foreign specialists have joined their efforts towards a common goal — to secure efficient and profitable production. They need mutual understanding which is born only of mutual desire.

While selecting candidatures for the posts in the managerial hierarchy, the individual personality traits should not be ignored, which is highly important in an international managerial body.

Chart 4



11. Insurance of a Joint Venture

Insurance covers the property and property interests of a JV. Insurance of a JV is effected by the Insurance Joint-Stock Society of the USSR (Ingosstrakh). Insurance premiums are paid by a JV out of its balance protif.

In effecting insurance of JVs Ingosstrakh is making wide use of international practices; therefore, this system meets with few questions on the part of foreign partners, as a rule.

Insurance covers the following property and property interests:

(1) fixed assets owned or rented by a JV;

(2) part of circulating assets, namely, production stores in the warehouses of the enterprise, semi-fabricated products of its own manufacture;

(3) losses caused by an interruption in production or other economic activity by a fire or other accidents or natural disasters;

(4) civil liability of a JV.

In addition to the afore-listed types of insurance, the following types, depending on the field of operations of a JV, are available: insurance of machinery and equipment against breakdowns and insurance against losses due to an interruption in production caused by a breakdown in machinery, transport insurance of freight in transit, and insurance of property against burglary.

The afore-mentioned types of insurance are used by JVs at discretion depending on the founders' desire. Ingosstrakh has drawn up special types of insurance for JVs. All relevant information is available from Ingosstrakh.

To conclude an insurance contract, a JV sumbits an application on a strandard form within a period fixed in instructions. The JV presents full information required to estimate the degree of risk.

After considering the application for insurance Ingosstrakh issues to the JV a draft insurance policy listing the rules and terms of insurance, the limits of responsibility of Ingosstrakh, the periods and cost of insurance. The draft is drawn up within 14 days of gaining the requisite information. In case of remarks on the part of the JV Ingosstrakh revises the insurance policy and issues another draft to the JV for approval within a month.

The JV is obliged to inform Ingosstrakh about all substantial changes in the objects of insurance, the size of insurance sums and the degree of risk. These changes entitle Ingosstrakh to revise the terms of insurance or the JV will have to pay an additional insurance premium.

In the event of a delay in payment of an insurance premium the insurance contract in the part of Ingosstrakh obligations becomes invalid.

Payment of compensation is made in the same currency in which the insurance contract was concluded and insurance premiums were paid.

investments for various branches of industry, for the construction of new enterprises and the reconstruction or technological modernization of operating enterprises and components of the production and social infrastructures. Many of these procedural methods can be used in FS to substantiate the establishment and operation of JVs on Soviet territory. None of these methods, however, secures complete estimation of the efficiency of a prospective JV in view of its specifics making it different from a state-owned enterprise. These specifics are primarily as follows:

— the long-term duration and, at the same time, limited period of the agreement on a JV;

— the obligatory rule of separate estimations of the profitability of investments of each partner;

— the need to take into account the guaranteed return of the foreign partner's contribution to the authorized fund of the enterprise minus depreciation on the expiration of the period of the agreement, as well as the division of accumulated capital and unused funds at the same time;

— taxation of profit of the enterprise and transfer of the foreign partner's profit out of the USSR;

— broad opportunities for applying contractual prices on raw and other materials and complementary articles supplied to a JV and on its marketed products.

At present, the requirements for the structure and content of FS of such enterprise have been defined clearly enough in the practices of preparing proposals to set up joint ventures with foreign partners on Soviet territory. Methods are also being worked out for quantitative estimates of those economic indicators that are used to substantiate the usefulness of the establishment and operation of JVs.

The structure of FS for a JV contains, as a rule, sections presenting the following characteristics:

— the purpose and basic principles of the activities of the enterprise;

— the conditions of setting up the enterprise;

— the conditions of the economic activity of the enterprise (including material and technical supply);

— estimates of the indicators of economic effectiveness;

— conclusions and suggestions concerning measures to raise the economic effectiveness of the variant of a JV under review.

The section of the purpose of the enterprise to be set up indicates the type of products planned for manufacture, its qualitative parameters, the conformity of these parameters to Soviet standards and the demands of the foreign markets where these products are to be sold. An enterprise which will turn out products that will compete with the world's best samples in the same class is entitled to expect to be granted privileged conditions for economic activity. Reference is also made to the contemplated volumes of output of products, their sales to Soviet consumers and on foreign markets. It is highly desirable to compare the contemplated volumes of output with the contemplated demand for it in the Soviet economy. This is especially important for large enterprises which are to turn out products mostly for the Soviet domestic market. It is necessary to point out the duration of the agreement stipualted by the partners, its main stages (designing, construction, attainment of designed capacity, contemplated periods of modernizing the production facilities of the enterprise).

It would be useful to single out the special requirements for the character and efficiency of the operations of a JV, which are stipulated by each of the partners in accordance with his interests. For instance, a Western partner may stipulate the minimum limit of profit on invested capital, which makes it reasonable for him to take part in such cooperation, or the share of the volume of output he can sell on the market of his country (third countries), through his network of trade outlets. This will permit in further FS to consider only those variants of establishing a JV and its operation that do not contradict the requirements of the Soviet or foreign partner agreed upon in advance.

The section dealing with the conditions of establishing a JV substantiates in the first place the sums of spending required to set up the enterprise and secure the commencement of its productive activity, and also indicates the sources of financing this spending suggested by the partners. Their obligations as regards the establishment of an enterprise may be illustrated by the following table.

A number of components of the expenditures on the establishment of a JV can be reimbursed not from the resources of the authorized fund or credit but from their transfer to the cost of production. This refers to payment for the right of using a land plot, mineral and other natural resources, as well as renting of buildings and expenses on leasing equipment. This will, naturally, reduce deductions from the profit of a JV in favour of the partners, but also lessen their initial expenses. Comparison of different variants in the process of feasibility study for a proposal to set up a JV is precisely what helps select the most effective solution to these problems.

In analyzing the conditions for setting up a JV it is important to study all possibilities to be able to design and build an enterprise quickly enough. The Soviet partner finds out the possibilities and terms of specialized Soviet organizations. One can take advantage of the services of foreign design and building organizations, as it has been done, for instance, by the Infahotel JV, for which a hotel in Moscow is being reconstructed by a Yugoslavian contractor.

In the section of FS describing the conditions for the JV economic activities, the attention is focused on the problems involved in organizing material and technical supply to the enterprise and on marketing its products, as well as the question of pay to its personnel. A successful solution to these problems within the framework of the rules of Soviet law has the greatest impact on the profitability of a JV and hence, in the final analysis, on the profitability of its founders' investments.

Material and Technical Supply. At present, Soviet legal regulations (Decision No. 1074 of the CPSU Central Committee and the Council of Ministers of the USSR of September 17, 1987) allow joint ventures to choose independently, by agreement with Soviet commodity producers and economic management bodies, forms of their material and technical supply with goods of Soviet manufacture, prices and the type of currency for relevant settlements. In the USSR, it is possible to obtain raw and other materials, articles of Soviet manufacture through the system of wholesale trade, through the branch systems of supplies of the ministries to which the Soviet partners in JVs are subordinated, as well as through the Soviet foreign trade organizations.

Material and technical supply through the system of wholesale trade is now an attractive variant for small joint ventures which may promptly revise the range of their products. The economic reform in the USSR widens considerably the scope and organization of wholesale trade by extending it not only to source materials, semi-manufactured and manufactured goods, but also to equipment, machinery, and other means of production. It is becoming possible for a JV to set up direct ties with Soviet commodity producers, with the range of goods offered by organizations of the system of wholesale trade being widened.

Large JVs which require for their operation a stable and extensive supply of raw and other materials, and complementary articles may prefer to receive them under a planned procedure through the branch systems of logistics. Requests for such deliveries are submitted in accordance with the routine regulations through the Soviet partner to the relevant Soviet ministries or government departments. In such an event deliveries to a joint venture will be included into a plan of deliveries to the direct Soviet producers. Their economic performance is assessed by the fulfilment of their contractual obligations in deliveries of products to concrete users on the principle of complete self-support, self-repayment and self-financing. From the beginning of 1988, enterprises which account for about 60 per cent of the total national output of products have been operating under these conditions.

If a JV decides to purchase raw and other materials, complementary articles and other components of logistics through Soviet foreign trade organizations, the latter will place with the direct commodity producers the relevant orders for manufacturing the products requested. These orders will be equivalent to orders for manufacturing products for export. The responsibility for these deliveries to the JV will be borne by the foreign trade organization concerned.

More than 70 Soviet associations and enterprises are entitled to carry out independent export and import operations. Their number will grow in the process of restructuring foreign economic relations of the USSR.

Such associations and enterprises found their own foreign trade firms with which a JV can reach agreement on receiving components of material and technical supply.

As regards purchase abroad of commodities needed by JVs for their production activities, they have a right to carry out independent export and import operations. Moreover, such purchases can be undertaken by a JV through the agency of Soviet foreign trade organizations with payment of corresponding commission.

Products of Soviet manufacture can be bought by joint ventures in various cases both at wholesale prices applied in the national economy and at contractual prices. When supplying a JV through the system of wholesale trade, the prices of purchased goods are agreed upon with the direct commodity producers, who are entitled to market at contractual prices part of their planned production and all their production over and above the plan.

If a JV receives commodities of Soviet manufacture through a branch system of material and technical supply, in this case purchases are made mostly at wholesale prices. It will be noted that the radical reform of price formation contemplated in the USSR will be directed, in particular, to eliminating the existing discrepancies between wholesale prices of raw and other materials, and manufactured goods. The reform will bring the relationships between them closer to those between the world prices of such goods.

In case of supplying a JV with commodities of Soviet manufacture through foreign trade organizations, contractual prices close to foreign trade prices can be applied. Soviet foreign trade organizations, within the range of the nomenclature of commodities assigned to them, have sufficient information about the dynamics of prices of these commodities on the main commodity markets, which will ease negotiations on organizing deliveries to JVs.

Soviet legislation affords the same possibilities for marketing products of JVs on Soviet territory as for making purchases of Soviet commodities by them for maintaining production. Marketing products of JVs at their discretion and by agreement with Soviet enterprises and organizations can be carried out through

wholesale trade, through the branch systems of marketing and through foreign trade organizations of the USSR. At the same time, wholesale, contractual and directly foreign trade prices are applied in concrete cases.

It would be appropriate here to point out the following important innovation in the field of logistics and marketing products of JVs with partners from capitalist and developing countries, which has been endorsed in the Decision of the CC CPSU and the Council of Ministers of the USSR of September 17, 1987 “On Additional Measures to Develop Foreign Economic Activities in the New Conditions of Management”. In accordance with this Decision, JVs with concrete Soviet enterprises and organizations agree on the type of currency to be used in buying or selling goods. This ensures to JVs receipts of foreign (including freely convertible) currency not only from sales of their products on foreign markets but also from selling them to Soviet users in possession of foreign currency. This system of relations is advantageous to Soviet enterprises as well, if their spending of foreign currency to purchase products of JVs is less than in case of buying similar products through import. Soviet enterprises and associations, ministries and government departments can pool and hand over to one another their foreign currency resources and use them freely to finance technological modernization, reconstruction and expansion of production.

Thus, the founders of a JV have sufficient leeway in choosing variants of setting up an enterprise and of its operation. The task of FS is to choose the most effective variant, taking account of the interests of the USSR as the host country, the economic interests of the Soviet and foreign partners. This choice is made on the basis of calculating definite indicators of the economic efficiency of the enterprise, which are analyzed in the relevant section of FS.

The Procedure for Estimating the Economic Effectiveness of the JV Activities. In the initial period of establishing JVs on Soviet territory there was no procedure for estimating the economic effectiveness of their activities, which was a serious obstacle to develop-

Table 1

Financing the Establishment of a JV

Purpose of spending	Structure of spending	Sources of financing		
		Authorized fund		Credit
		Partner's contribution		
		Soviet	Foreign	
1	2	3	4	5
Formation of fixed capital	Development of project	500		
	Acquisition of licences	6,000*		
	Acquisition of know-how		2,000*	
	Renting of land	1,500*		
	Acquisition of main equipment		8,000*	4,000
	Acquisition of auxiliary equipment	2,000*	2,500	1,000
	Construction or renting of building	3,000*		
	Construction or renting of components of production infrastructure	1,000*		
	Construction or renting of social facilities	500*		
Formation of initial circulating assets	Acquisition of raw and other materials, complementary parts, pay for work to personnel required in the initial period of the enterprise's activity	500	500	1,000
Total expenditure 34,000		15,000	13,000	6,000

The sums of spending indicated in this table are conventional; the asterisk designates the sums of the estimates of the partners' material contributions, the remaining sums being advanced in money. The table expresses the sums of spending (e.g. in thousand roubles) by means of conversion of the value of the foreign partner's share (for example in US dollars) to roubles

by the official exchange rate of the State Bank of the USSR on the day of settlement. The material shares of both partners in the authorized fund are estimated by agreement between them with the account of world prices for these elements that have formed by the time of accounting. These shares may be estimated in Soviet and foreign currency by agreement between the partners.

The total spending on the establishment and maintenance of a JV in the initial period of its work can be financed only from its authorized capital formed of the partners' shares and credits, which a newly-formed enterprise, registered with the Ministry of Finance of the USSR, can obtain from banks of the USSR or from foreign banks or firms with the consent of the Bank for Foreign Economic Affairs of the USSR. The correlation between the authorized fund and credit in financing these expenditures is an important question of FS. In settling this question the partners should take account of the Western partner's natural desire to reduce the absolute amount of this contribution to the authorized fund of the enterprise and secure the greatest possible part of payment for equipment deliveries from credit rather than from future dividents. However, it should be remembered that in this case the Bank for Foreign Economic Affairs of the USSR detracts from other borrowers the hard currency resources to credit the JV and, besides, the risk involved in the activities of the enterprise is borne, in the main, by the Soviet side.

In settling this question it should be recalled that the components of the foreign partner's contribution to the authorized fund of a JV are exempted from customs duties when taken into the USSR, which also makes an increase in the share of the authorized fund in financing the initial expenditures more effective.

As for the proportion of the partners' shares to the authorized fund of a JV, the Western partner's share cannot be larger than 49 per cent under Soviet legislation. On the other hand, a very small share of the foreign partner limits his contribution in the form of real investments and in many instances does not allow the setting up of an enterprise with a high technical level of production and hence with greater effectiveness of its activities.

and improving production in a JV are made before tax on profit. These sums of reinvested profit or profit intended for reinvestment are exempted from taxes.

Following deductions to the afore-mentioned funds the remaining profit is declared for taxation. However, during the first two years, beginning from the date of first declaration of the profit of a JV, this profit is not taxed. In subsequent years the JV remits to the state budget of the USSR taxes at a rate which is 30 per cent at the maximum. Proposals of a JV for tax privileges, for a reduction of the tax rate during concrete years of the activity of the enterprise may be contemplated already in individual variants analyzed in FS.

Part of the profit remaining after the payment of the tax to the state budget is used by the JV to form the material incentives fund and the fund for the social development of the work collective. It is precisely these funds that can by used to increase the actual earnings of Soviet and foreign personnel of a JV, to provide them with more favourable conditions for rest and leisure and improving their housing conditions.

The remainder of the profit is subject to sharing between the partners in proportion to their shares in the authorized fund of the JV. It is these deductions that are regarded as the sums determining the profitability of the outlays of the Soviet and foreign partners in connection with their participation in such cooperation. Deductions from profit to the Soviet partner are considered not only part of his profit from autonomous economic performance but also a component of the economic income of the USSR.

Let us examine the procedure of calculating the economic effect (E_{ne}), which is used, as pointed out above, as a criterion for selecting the most effective variant of conditions for the establishment and activities of a JV. This indicator is determined for the period of validity of the agreement (T_{years}) as the sum of the annual differences between the economic incomes (D_n^t) and the expenditures (Z_n^t) discounted for the first year of the operation of the agreement, that is:

$$E_{ne} = \sum_{t=1}^{t=T} (D_n^t - Z_n^t) \frac{1}{(1+E_n)^{t-1}} \text{, where}$$

E_n is the coefficient of discounting taking into consideration the influence of the time factor on the real significance of the cost indicators determined for different years of the period of validity of the agreement.

To determine this indicator of the integral economic effect the value $E_n = 0.1$ is usually accepted.

The composition of incomes D_n^t includes revenue accruing to the state budget as a tax on profit of a JV, a tax on the part of the foreign partner's profit taken out of the USSR, deductions from profit of the enterprise in favour of the Soviet partner, payment of rent on the land plot, payments of the enterprise for credit, and other receipts. The composition of expenditures Z_n^t includes the sums of credits granted to the JV by Soviet banks, the value of the Soviet partner's contribution to the authorized fund of the enterprise, additional investments in developing the production and social infrastructures connected with the establishment of a JV on Soviet territory, other sums of outlays of the USSR. Possible losses of the USSR due to violations of ecological parameters and other general outlays of the state are taken into account here.

Once the integral economic effect of the establishment and activities of a JV has been determined, a variant with the greatest significance of this indicator is chosen for further analysis. Now the indicators of profitability of the Soviet and foreign partners' outlays connected with their participation in a JV are calculated. These indicators should be higher than the relevant normative standards stipulated in the course of negotiations between the partners. Only in this case the contemplated agreement on setting up a joint venture will be considered mutually beneficial and hence effective for the USSR and both partners.

If the chosen variant of the establishment and activities of a JV differs from other variants in securing the greatest economic effect but fails to satisfy, for instance, the profit motive of the foreign partner, it in this variant of the establishment and activities of a JV is higher than the minimum rate stipulated by him, that is, this variant is acceptable to the foreign investor. The agreement will be mutually beneficial. The feasibility study for this variant along with the constituent instruments stipulating the partners' obligations conforming to this variant can be forwarded to the relevant bodies for approval.

FS also contains a calculation of the indicators of self-recoupment in hard currency, which is to show that all requirements of the JV for foreign (for instance, freely convertible) currency, including the foreign partner's profit transfer abroad, will be satisfied with receipts from sales of products of the JV in the USSR and on foreign markets.

In calculating the indicators of the economic effectiveness of their participation in a JV each partner can use familiar methods more habitual to him. Naturally, however, it is best to use mutually agreed methods for calculating such indicators. Therefore, in their preliminary negotiations the partners in a future joint venture agree, among other questions, on the mutually acceptable methods for the feasibility study of the joint venture.

13. Drafting of the Constituent Instruments

In preparing the constituent instruments, such as the Agreement on setting up a joint venture and its Charter, the partners have an opportunity to set down the main principles of the operations of a JV in documentary form.

Documents signed by the partners acquire legal force and are equally binding on both of them. A preliminary organizational and economic analysis (discussed above) is the obligatory basis for the future constituent instruments. Significantly, the partners' arrangements already achieved, when taking the form of documents signed by them, assume a new dimension: this is a content fixed in a concrete form. Therefore, questions already analyzed and familiar are studied additionally in greater detail, which is set down in the Agreement and the Charter. The Agreement has priority in relation to the Charter. The partners in a JV should approach the drafting of the constituent instruments from the angle of mutual trust and mutual benefit.

The Agreement covers a wide range of questions which are reflected in specific arrangements. These refer to:

— the object and aims of the JV;
— the legal status of the JV;
— the total volume of contemplated outlays of the JV;
— the authorized fund and its share in total outlays;
— the partners' contributions in material and value form;
— the partners' shares in the authorized fund;
— the conditions and procedure of crediting;
— the contemplated quantity of exported products;
— the procedure for the use and distribution of profit;
— taxation of profit;
— the rights and duties of the partners in relation to the JV;
— the structure of management;
— the procedure of pay to personnel;
— the system of material and technical supply;
— marketing products;
— forms of control and accountability;
— force majeure;
— commercial secrets;
— arbitration;
— the procedure of closing down the JV.

The Agreement is drafted, proceeding from the status of the JV as a juridical person under Soviet legislation. Since this implies obtaining a complex of rights by the enterprise, the partners seek to stipulate as precisely as possible the duration of the operation of the JV as a juridical person. Granting the powers of a juridical person following the registration of the JV with the Department of State Revenues of the Ministry of Finance of the USSR seems to be the most logical step.

Once it has gained the status of a juridical person the JV forms its authorized fund in a definite, natural material form. It may request concrete credits, etc.

ing this form of industrial cooperation. Another hindrance was the insufficient practical experience of Soviet associations and enterprises in foreign economic activity, in particular, in joint enterprise with partners from capitalist countries. Methods for analyzing and selecting effective variants of JVs on Soviet territory were worked out directly in the process of preparing agreements on the institution of such enterprises.

In 1987, on the instructions of the State Foreign Economic Commission of the Council of Ministers of the USSR, the All-Union Scientific Research Institute of Foreign Economic Relations (VNIIVS) in collaboration with a number of organizations of the Academy of Sciences of the USSR, the ministries and government departments drafted "The Provisional Standard Procedure for estimating the Economic Effectiveness of the Establishment and Activities on Soviet Territory of Joint Ventures with Participation of Enterprises and Organizations of the USSR and Other Member Countries of CMEA, as well as Organizations and Firms of Capitalist and Developing Countries". The Provisional Standard Procedure was approved by the State Foreign Economic Commission of the Council of Ministers of the USSR and recommended to the ministries and government departments of the USSR, the Councils of Ministers of the Union Republics, Soviet associations, enterprises, and organizations for use in their work on the establishment of JVs.

The Provisional Standard Procedure takes into account the approaches to estimating the effectiveness of investment measures accepted in the international practice of economic analysis. In particular, it relies on some recommendations of the United Nations Industrial Development Organization. This is highly important in view of the fact that the identical position of the Soviet and foreign partners in a JV in methods of assessing its effectiveness facilitates and speeds up the drafting of the constituent instruments and the management of an operating enterprise.

The recommendations of the Provisional Standard Procedure permit one, proceeding from a common informational base, to calculate the indicators characteristic of the economic effectiveness of establishing a given JV for the USSR as a whole, for the Soviet partner as a commodity producer operating in conditions of complete operational autonomy, as well as for the Western partner, taking into consideration information about his contemplated incomes and expenditures agreed upon by the partners at negotiations.

Settlements are made in roubles, while the values of input indicators expressed in other currencies are converted to roubles by the exchange rate of the State Bank of the USSR on the date of settlement.

The general approach to selecting the best variant of setting up a JV and its activities boils down to the following: the most effective variant is one that is bound to yield the greatest economic effect and at the same time secures an acceptable rate of profit on the expenditures of the Soviet and foreign JV partners. Attachment of first priority in selecting variants of investment measures is traditional in the Soviet practice of economic analysis; moreover, the interests of the direct commodity producers in economic self-support are invariably taken into consideration. Evidently, the reader of this edition will find it interesting to acquaint himself with the concrete methods of calculating the indicators of the economic effectiveness of the establishment and activities of JVs in the USSR.

The basis for calculating indicators of the economic effect and of the profitability of spending made by the Soviet and foreign partners in the period of validity of the agreement is information on the JV expenditures, incomes and profits during its operation. The procedure looks like as follows. At first, the indicators of profit from marketing products are calculated for each year of the operation of the enterprise on the basis of the volumes of output planned, the prices of commodities purchased and sold by this enterprise. Payments for credit, including interest, are deducted from this profit. Deductions to the reserve fund of the joint venture and to its production, scientific and technological development fund are made from the remaining part, that is from balance profit. The purpose, procedure of formation and spending of these JV funds are described in detail in the fore-going chapters.

It will only be pointed out here that deductions to these funds, payments for credit, that is, the sums of profit intended to a varying extent for developing is necessary to revise the conditions of the establishment and activities of the enterprise in such a way as to redistribute part of the economic effect in favour of the foreign partner. This can be achieved by changing the sums of the partners' contributions to the authorized fund of the enterprise, the prices of commodities purchased in the USSR and of products of the JV, the sums of annual deductions to the funds of the enterprise. Naturally, such changes should conform to the conditions of setting up a JV on Soviet territory laid down by Soviet legislation.

The profitability of outlays of the Soviet and foreign partners is determined as an internal rate of profit for a period equal, as a rule, to the period of validity of the agreement. This indicator is numerically equal to the coefficient of discounting used in calculating the corresponding integral effect, with which a given effect is equal to nil, that is:

$$P_f = E_u, \text{ if } \sum_{t=1}^{t=T} (D_u^t - Z_u^t) \frac{1}{(1+E_u)^{t-1}} = 0, \text{ where}$$

P_f is the sought internal rate of profit on outlays, for instance of the foreign partner;

E_u is the coefficient of discounting;

D_u^t is the incomes of the foreign partner in the t year (deductions from profit of the enterprise transferred to this partner minus the tax collected in profit transfer);

Z_u^t is the expenditures of the foreign partner in the t year (as a rule, the sums of his contributions to the authorized fund of a JV).

The normative value of E_u, which is used for initial calculation, is the value of the profitability of the foreign partner's outlays stipulated in preliminary negotiations as the indicator of the bottom limit of the effectiveness of his participation in the JV.

If in the initial calculation the value of $E_u > 0$ is produced, this will mean that the internal rate of profit for the foreign partner will be greater than the normative minimum requested by him, and his economic interests will thus be satisfied.

For instance, in calculating the annual indicators of profit of a joint venture and its distribution yields we get the following values (Table 2) of the annual sums (D_u^t) of deductions in favour of the foreign partner in a variant securing the greatest national economic effect.

Table 2

Year	Expenditures (Z_u^t)	D_u^t	$D_u^{t'}$ with 20 % tax on transferred profit	$D_u^t - Z_u^t$	$\alpha_t = \frac{1}{(1-E_u)^{t-1}}$ at E_u=0.1
1988 (t=1)	4.0			−4.0	1.0
1989 (t=2)	2.5			−2.5	0.909
1990 (t=3)		0.31	0.26	0.26	0.826
1991 (t=4)		0.23	0.19	0.19	0.751
1992 (t=5)		0.60	0.50	0.50	0.683
1993 (t=6)		0.84	0.70	0.70	0.621
1994 (t=7)		1.04	0.87	0.87	0.565
1995 (t=8)		1.52	1.27	1.27	0.513
1996 (t=9)		1.72	1.43	1.43	0.467
1997 (t=10)		2.66	2.22	2.22	0.424
1998 (t=11)		3.65	3.04	3.04	0.386
1999 (t=12)		4.15	3.46	3.46	0.351
2000 (t=13)		4.31	3.59	3.59	0.319

Let us assume that a Western businessman has made his participation in a joint venture conditional on the provision that the minimum rate of profit on his expenditures should be 10 per cent, which, for instance, is higher than the extant rate of profit on capital on the capital market of his country. Therefore, in the initial calculation of the internal rate of profit the value $E_u = 0.1$ is accepted (see Table 2). Calculation of the value E_u according to the formula

$$E_u = \sum_{t=1}^{t=T} (D_u^{t'} - Z_u^t) \cdot \frac{1}{(1+E_u)^{t-1}}$$

yields the value $E_u = 1.14$ which means: the internal rate of profit on the expenditures of the foreign partner

In the Agreement (contract) the parties briefly formulate the object and aims of establishing the joint venture, stipulate the general size of the enterprise and their shares of the outlays on the authorized fund. In the Agreement and the Charter the partners stipulate the form of their contributions, fix the estimates of the components of these contributions, calculating them both in roubles and in foreign currency. If the signing of the constituent instruments was preceded by a thorough preparation of FS, the fixation of requisite provisions is a fairly simple procedure. Therefore, the better the preliminary analysis of all the aspects of the activities of a JV, and the more thorough the preparation of FS, the faster the progress towards the final agreement between the partners and signing the documents themselves. The signing of the Agreement and the Charter completes the partners' preliminary work and commences their joint work to attain the aims and tasks they have set themselves. This is reflected in the spirit of all the constituent instruments. On the one hand, they crown the preliminary analysis of the situation, and on the other hand, they outline the prospects for the future operations of the joint venture.

Thus, when referring in the constituent instruments to the aims and the formation of funds, it would be reasonable for the partners to provide for a possible modernization of production and the output of new types of products. The expenditures for conducting the relevant research and organizing production of experimental samples should be envisaged in the corresponding deductions from profit to the production development fund or another fund specially assigned for these purposes.

In the Agreement (as well as in the Charter) special attention should be given to building up the reserve fund up to 25 per cent of the authorized fund. The partners indicate in the documnets the number of years, the rate of deductions in relation to the fund or profit. At the same time, the resources of the reserve and all other funds will be at the disposal of the JV and their use controlled by its top management body.

In special articles of the Agreement and the Charter of the JV the partners set down the procedure of sharing profit. Also here, they stipulate the rates of deductions to the fund for material incentives to personnel from profit after tax. The partners' mutual interest in stimulating personnel to work efficiently and in receiving part of the profit for their own use is the starting point in working out these provisions.

The questions of management are agreed by the partners directly in the units which are to perform work. Here a Western partner often seeks to take advantage of the experience gained in other countries. This however, is not always the only possible way. The partners in a JV should reckon with the specific organizational structures of Soviet enterprises, since the basic personnel of a JV is better familiar with the structure most typical of the Soviet economy. The initiators should identify the points of contact between managerial traditions, on the one hand, and use up-to-date achievements in the management field, on the other.

An Agreement on establishing a JV indicates the number and names of management bodies. It usually stipulates that the supreme body of a JV is the Board of Governors. Whereas members of the Board of Governors on the Soviet side and on the foreign partner's side are appointed by each partner, the Board of Directors is appointed by the Board of Governors; and its membership is agreed upon by the Board of Governors members representing the partners in the JV.

The Agreement stipulates the terms of the powers of the members of the Board of Governors. Also here, there is provision for the procedure of replacing Board of Governors members and the procedure of appointing the Auditing Commission of the JV to exercise current supervision of the operations of the enterprise. Thus, three management bodies are necessarily formed in the structure of a JV functioning on Soviet territory:

the Board of Governors;
the Board of Directors;
the Auditing Commission.

The Board of Governors is empowered to handle strategic tasks; therefore, the Agreement and the Charter stipulate who is entitled to be a Board of Governors member — a bank representative, a representative of the founder's finance or technical service, etc. The partners stipulate in the constituent instruments the right of submitting questions for consideration by the Board of Governors. This right is vested, in the first place, in the Board of Governors members, the Director-General and his deputies, as well as the Chairman of the Auditing Commission. It is highly important to establish a distribution of votes in the Board of Governors and the procedure of taking decisions on voting results. Different variants of distribution of votes may be applied. For instance, each Board of Governors member has one vote. Another variant: the Board of Governors chairman and the representative of the creditor bank have two votes each, while the other members have one vote each. The Board of Governors chairman may be invested with a veto power over a definite range of questions settled by the Board of Governors. Direction of the current operations of the JV and fulfilment of the decisions taken by the Board of Governors are within the terms of reference of the Board of Directors headed by the Director-General. The rules of the Director-General's accountability to the Board of Governors are also laid down in the constituent documents. The Director-General directs the current operations of the enterprise on the principle of one-man management within his terms of reference defined by the Charter and the decisions of the Board of Governors.

In the articles of the Agreement and the Charter the partners by mutual consent make provision for a commitment on the part of the JV to conclude collective agreements with the trade union organization set up at the enterprise. A collective agreement should cover the questions of the social development of the work collective, and is concluded in accordance with Soviet legislation. A collective agreement mainly concerns the questions of work, wages and salaries, work conditions and safety, as well as the conditions of rest and leisure and material incentives. The management bodies of a JV secure publicity in fulfilling the collective agreement, which is specifically envisaged in the Agreement on the JV.

The main provisions of individual contracts concluded with foreign nationals can be reflected in the constituent instruments, both partners being interested in stipulating in the documents the rate of pay, the principles of providing foreign nationals with medical services, housing and communal amenities.

The Agreement on a JV clearly formulates the conditions of material and technical supply. The partners indicate in the Agreement the ways and means of supplying the enterprise: through wholesale trade, foreign trade organizations or the system of the State Committee for Material and Technical Supply (Gossnab). In accordance with their preliminary agreement the founders acknowledge in the documents their mutual consent on the questions of prices of raw materials and complementary articles, indicating the form of payment — in roubles or foreign currency. The possibility of opening JV specialized shops may also be mentioned here.

The Agreement also concerns the forms of control and accountability, provides for the use of the auditing possibilities of the Soviet self-supporting organization Inaudit. The relevant articles of the Agreement make provision for force majeure, arbitration, the procedure of introducing amendments into the Agreement, as well as the conditions for closing down the JV.

The Charter is supplemented by the agreement containing the following provisions:

— the structure, composition and terms of reference of the management bodies of the enterprise;

— the procedure of taking decisions and the range of questions to be settled by a unanimous vote;

— compiling of balance sheets and accounts;

— establishment of representative offices and subsidiaries;

— the procedure for settlement of disputes;

— the use of auditor services;

— the procedure of transfer of a share upon a partner's withdrawal;

— the procedure of closing down the enterprise and restoring their shares to the partners on the basis of liquidation value.

The Charter and the Agreement drawn up on the basis of FS enter into the set of documents submitted by the partners in a JV for dovetailing and approval.

Proposals for setting up a JV are agreed with the State Bank of the USSR and the Ministry of Finance of the USSR, the credit terms, with the corresponding specialized banks, as well as with the Bank for Foreign Economic Affairs of the USSR (Vneshekonombank SSSR) in the process of making FS.

A JV is registered with the Department of State Revenues of the Ministry of Finance of the USSR in accordance with the Instructions of the Ministry of Finance of the USSR "On the Procedure of Registration of Joint Ventures, International Associations and Organizations Set Up on Soviet Territory with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies". The decision on establishing a JV is taken directly by the relevant ministry or government department, or the Council of Ministers of a Union Republic. From the time of registration a JV acquires the status of a juridical person. Registration requires the following documents:

—a written application from one of the partners in a JV;

—a copy of the decision of the ministry, government department, or the Council of Ministers of a Union Republic on setting up the JV;

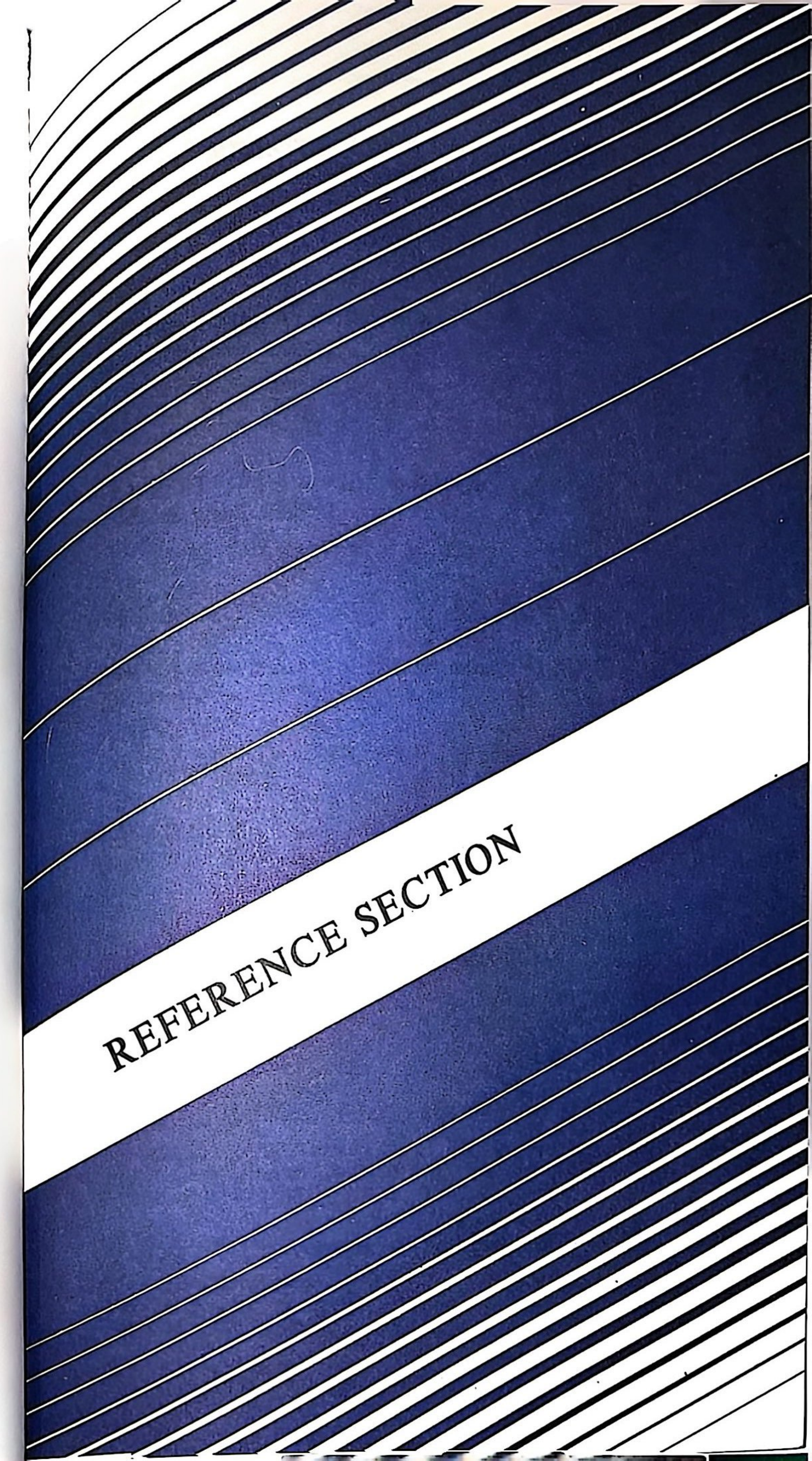
—a copy of the constituent instruments certified by a notary public.

In registration, the entry in the register indicates the number of entry, the name of the endorsing body, the date of endorsement of the constituent instruments, the name of the partners, the size of the authorized fund, the shares of the partners, and the address of the JV.

The enterprise is issued with a certificate of registration, which entitles the JV to the publication of its inauguration. No fee is exacted for registration.

The Ministry of Finance of the USSR is entitled to suspend or decline registration of a JV, if the documents submitted are not consistent with the USSR legislation. All the documents are deposited with the Ministry of Finance of the USSR, while information on the contents of the documents submitted for registration is made available only with the consent of the registered JV.

The enterprise loses its status of a juridical person and is recognized as abolished since the time of its exclusion from the register of the Ministry of Finance of the USSR.



REFERENCE SECTION

MINISTRIES AND GOVERNMENT DEPARTMENTS

Ministry of the Aircraft Industry of the USSR (Minaviaprom SSSR)

USSR, 101849, Moscow
16, Ulansky pereulok
Telephone: 207-02-73

Ministry of the Automobile Industry of the USSR (Minavtoprom SSSR)

USSR, 103895, Moscow
21/5, Kuznetsky Most
Telex: 411109
Telephone: 221-10-03

Ministry of the Automobile Transport of the RSFSR (Minavtotrans RSFSR)

USSR, 101433, Moscow
10, Sadovo-Samotyochnaya ulitsa
Telephone: 209-06-53

Ministry of the Interior of the USSR (MVD SSSR)

USSR, 103918, Moscow
6, ulitsa Ogaryova
Telephone: 222-68-20

Ministry of the Gas Industry of the USSR (Mingasprom SSSR)

USSR, 117311, Moscow
8, ulitsa Stroitelei, korp. 1
Telephone: 133-53-60

Ministry of Geology of the USSR (Mingeo SSSR)

USSR, 123812, GSP Moscow
4/6, Bolshaya Gruzinskaya ulitsa
Telephone: 254-11-33

Ministry of Civil Aviation of the USSR (MGA SSSR)

USSR, 105836, Moscow
37a, Leningradsky prospekt
Telephone: 155-54-94

Ministry of Culture of the USSR (Minkultury SSSR)

USSR, 121835, Moscow
35, ulitsa Arbat
Telephone: 248-10-81

Ministry of the Timber Industry of the USSR (Minlesprom SSSR)

USSR, 101934, Moscow
1, Telegrafny pereulok
Telephone: 207-96-43

Ministry of the Light Industry of the USSR (Minlegprom SSSR)

USSR, 121905, Moscow
29, prospekt Kalinina, korp. 4
Telephone: 291-75-50, 291-90-90

Ministry of the Merchant Marine of the USSR (Minmorflot SSSR)

USSR, 103759, Moscow
1/4, ulitsa Zhdanova
Telephone: 926-12-63, 926-14-29

Ministry of the Food Industry of the USSR (Minpishcheprom SSSR)

USSR, 121906, Moscow G-19
29, prospekt Kalinina
Telephone: 291-98-78

Ministry of the Manufacture of Means of Communication of the USSR (Minpromsvyazi SSSR)

USSR, 117909, GSP-1 Moscow-49
6, Vtoroi Spasonalivkovsky pereulok
Telephone: 238-72-42

Ministry of Railways of the USSR (MPS SSSR)

USSR 107174, Moscow
2, ulitsa Novaya Basmannaya
Telephone: 262-16-28

Ministry of the Building Materials Industry of the USSR (Minstroimaterialov SSSR)

USSR, 103713, Moscow
2/5, ploshchad Nogina
Telephone: 221-63-79

Ministry of Construction for the Northern and Western Regions of the USSR (Minsevzapstroi SSSR)

USSR, 117916, Moscow
8, korp. 2, Pervaya ulitsa Stroitelei
Telephone: 130-42-29

Ministry of Construction for the Southern Regions of the USSR (Minyugstroi SSSR)

USSR, 103655, Moscow
14, ulitsa Petrovka
Telephone: 925-57-46

Ministry of Construction for the Urals and Western Siberia of the USSR (Minuralsibstroi SSSR)

USSR, 125124, Moscow
19/21, Pyataya ulitsa Yamskogo Polya
Telephone: 251-40-50

Ministry of Construction for the Far Eastern Regions of the USSR (Minvostokstroi SSSR)

USSR, 117947, Moscow
41, prospekt Vernadskogo
Telephone: 430-88-09

Ministry of Radio Engineering of the USSR (Minradioprom SSSR)

USSR, 101959, Moscow
35, ulitsa Kirova
Telephone: 207-96-27

Ministry of Fisheries of the USSR (Minrybkhoz SSSR)

USSR, 103031, Moscow
12, Rozhdestvensky bulvar
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Telephone: 928-28-73

Ministry of Post and Telecommunications of the USSR (Minsvyazi SSSR)

USSR, 103375, Moscow
7, ulitsa Gorkogo
Telephone: 295-51-08, 229-98-78

Ministry of Post and Telecommunications of the RSFSR (Minsvyazi RSFSR)

USSR, 103091, Moscow
5, Delegatskaya ulitsa
Telephone: 923-38-84, 209-18-89

Ministry of Machine Building of the USSR (Minmash SSSR)

USSR, 101100, Moscow
12, ulitsa Bogdana Khmelnitskogo
Telephone: 206-91-58

Ministry of the Medical and Microbiological Industry of the USSR (Minmedbioprom SSSR)

USSR, 103823, Moscow K-9
2, proyezd Khudozhestvennogo Teatra
Telephone: 291-37-65

Ministry of Land Reclamation and Water Conservancy of the USSR (Minvodkhoz SSSR)

USSR, 107803, Moscow GSP-6
10, ulitsa Novaya Basmannaya
Telephone: 265-96-83, 265-97-71

Ministry of the Machine-Tool and Instrument-Making Industry of the USSR (Minstankoprom SSSR)

USSR, 103789, Moscow
20, ulitsa Gorkogo
Telephone: 209-59-32

Ministry of Assembly and Specialized Building Work of the USSR (Minmontazhspetsstroi SSSR)

USSR, 103379, Moscow
8a, Bolshaya Sadovaya ulitsa
Telephone: 251-97-23

Ministry of Building, Road and Communal Machinery of the USSR (Minstroidormash SSSR)

USSR, 121909, Moscow GSP-2
23, prospekt Kalinina
Telephone: 202-80-81

Ministry of the Oil Refining and Petrochemical Industry of the USSR (Minneftekhimprom SSSR)

USSR, 129832, Moscow
31, ulitsa Gilyarovskogo
Telephone: 284-80-50

Ministry for the Construction of Oil and Gas Industry Enterprises of the USSR (Minneftegazstroi SSSR)

USSR, 117970, Moscow
14, Zhitnaya ulitsa
Telephone: 239-12-37

Ministry of Instrument-Making, Means of Automation and Control Systems of the USSR (Minpribor SSSR)

USSR, 103918, Moscow
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Ministry of the Oil Industry of the USSR (Minnefteprom SSSR)

USSR, 113816, Moscow
26/1, naberezhnaya Morisa Toreza
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Ministry of General Engineering of the USSR (Minobshchemash SSSR)

USSR, 125833, Moscow
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Ministry of Shipbuilding of the USSR (Minsudprom SSSR)

USSR, 123231, Moscow
11, Sadovo-Kudrinskaya ulitsa
Telephone: 252-07-40

Ministry of Trade of the USSR (Mintorg SSSR)

USSR, 103688, Moscow, Centr GSP-2
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Ministry of Trade of the RSFSR (Mintorg RSFSR)

USSR, 103084, Moscow
47, ulitsa Kirova
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Ministry of Transport Building of the USSR (Mintransstroi SSSR)

USSR, 107217, Moscow
21, Sadovaya-Spasskaya ulitsa
Telephone: 262-74-54

Ministry of Heavy, Power and Transport Engineering of the USSR (Mintyazhmash SSSR)

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Telephone: 291-27-52

Ministry of the Coal Industry of the USSR (Minugleprom SSSR)

USSR, 121910, Moscow
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Ministry of Finance of the USSR (Minfin SSSR)

USSR, 103097, Moscow
9, ulitsa Kuibysheva
Telephone: 298-51-45

Ministry of Chemical and Oil Engineering of the USSR (Minkhimmash SSSR)

USSR, 129833, Moscow
25, Bezbozhny pereulok
Telephone: 288-40-10

Ministry of the Chemical Industry of the USSR (Minkhimprom SSSR)

USSR, 101851, Moscow
20, ulitsa Kirova
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Ministry of Non-Ferrous Metallurgy of the USSR (Mintsvetmet SSSR)

USSR, 121911, Moscow
27, korp. 3, prospekt Kalinina
Telephone: 203-06-27

Ministry of Atomic Energy of the USSR (Minatomenergo SSSR)

USSR, 103074, Moscow
7, Kitaisky proyezd
Telephone: 220-64-02, 220-64-09

Ministry of Health of the USSR (Minzdrav SSSR)

USSR, 101431, Moscow
3, Rakhmanovsky pereulok
Telephone: 928-44-78

Ministry of Ferrous Metallurgy of the USSR (Minchermet SSSR)

USSR, 103718, Moscow
2/5, ploshchad Nogina
Telephone: 221-89-91

Ministry of the Electronic Industry of the USSR (Minelektronprom SSSR)

USSR, 125315, Moscow
24/2, ulitsa Usievicha
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Ministry of the Electrical Engineering Industry of the USSR (Minelektrotekhprom SSSR)

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Ministry of Electric Power Development and Electrification of the USSR (Minenergo SSSR)

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Ministry of the Agricultural and Tractor Machinery Industry of the USSR (Minselkhozmash SSSR)

USSR, 103894, Moscow K-265
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Ministry for the Production of Mineral Fertilizers of the USSR (Minudobrenii SSSR)

USSR, 119900, GSP Moscow G-19
2/16, ulitsa Gritsevets
Telephone: 203-08-67

USSR State Committee for Agriculture and Related Industries (Gosagroprom SSSR)

USSR, 107139, Moscow
1/11, korp. B, Orlikov pereulok
Telephone: 207-42-03, 207-51-29

USSR State Committee for Science and Technology (GKNT SSSR)

USSR, 103009, Moscow
11, ulitsa Gorkogo
Telex: 417531 TRIOD
Telephone: 229-27-51

USSR State Planning Committee (Gosplan SSSR)

USSR, 103009, Moscow
12, prospekt Marksa
Telephone: 292-34-89

USSR State Committee for Material and Technical Supply (Gossnab SSSR)

USSR, 107801, Moscow, B-139
5, Orlikov pereulok
Telephone: 204-02-17

USSR State Committee for Construction (Gosstroi SSSR)

USSR, 103828, Moscow
26, Pushkinskaya ulitsa
Telephone: 292-75-87

USSR State Committee for Television and Radio (Gosteleradio SSSR)

USSR, 127000, Moscow
12, ulitsa Korolyova
Telex: 411140
Telephone: 217-61-61, 217-72-11

USSR State Committee for Cinematography (Goskino SSSR)

USSR, 103877, Moscow
7, Maly Gnezdnikovsky pereulok
Telephone: 229-13-30

FOREIGN TRADE ORGANIZATIONS

ALL-UNION ASSOCIATIONS

V/O ALMAZJUVELIREXPORT

25, Korp. 1 Zubovsky Bul., Moscow 119021, USSR
Cable address: Almazexport Moscow
Telex: 411115
Telephone: 245-02-59, 245-34-10, 245-34-20

Activities:

export and import of diamonds for jewelry and industrial diamonds, polished diamonds, pearl, jewelry made of platinum, gold and silver with precious stones, precious metals of the platinum group in ingots and powders and articles made therefrom, as well as of silver solders;

export of rough and polished precious and semi-precious stones, stone-cut articles with precious stones and metals and without them, artificial optical quartz and piezoquartz, kimberlite with diamonds, as well as of corundum and other synthetic crystals used in jewelry;

import of natural quartz for smelting and tools for diamond-extracting, lapidary and jewelry industries.

Firms:

Almazy, Brillianty, Platina, Juvelir, Jantar, Almaz-S, Brillianty-S.

V/O ATOMENERGOEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Atomenergoexport Moscow
Telex: 411397
Telephone: 220-14-36, 231-80-14

Activities:

technical assistance to foreign Clients in the construction of nuclear power plants and nuclear research centres complete with all related equipment, as well as exports and imports of nuclear power-generating plant and special equipment, materials, installations, and instruments.

The Association offers a wide range of services for the construction of nuclear power projects and research centres.

The Association cooperates with foreign firms to build nuclear power projects in third countries.

V/O AVIAEXPORT

19 Trubnikovsky Per., Moscow 121817, USSR
Cable address: Aviaexport Moscow
Telex: 411257
Telephone: 290-01-71

Activities:

export of airplanes, helicopters, gliders, aircraft engines, airborne equipment, spares and other civil aircraft, as well as navigational aids and special airfield equipment;

import of aircraft, airfield equipment, ground radio and light signalling equipment;

repairs and maintenance of aircraft and technical assistance in its operation and in training of flight personnel and technicians;

cooperation in production of aircraft and associated equipment.

Firms:

Samolet, Aerolet, Vertolet, Aerodrommash, Aviapribor, Aeroremont, Aviatechservice.

V/O AVTOEXPORT

8 Ul. Marksa-Engelsa, Moscow 119902, USSR
Cable address: Avtoexport Moscow
Telex: 411135
Telephone: 202-85-35, 202-83-37

Activities:

export and import of cars and trucks, buses, special vehicles, motorcycles, bicycles, garage equipment, and components.

Firms:

AvtoLada, AvtoVolga, Gruzavto, Avtodiesel, Avtospetstrans, Avtomotovelo, Avtotransimport, Avtogruzimport, Avtokomplekt, Avtoservice, Avtoinzhtech.

V/O AVTOPROMIMPORT

50/2 Piatnitskaya Ul., Moscow 109017, USSR
Cable address: Avtopromimport Moscow
Telex: 411961A API, 411961B API, 411961C API, 411961D API
Telephone: 231-81-26

Activities:

import of complete plant and miscellaneous equipment, tools and spares for newly built or modernized plants, shops, bays and related production departments in the engineering industries, including automobile, aircraft, tractor, agricultural machinery, power engineering, etc.;

import of complete vehicle servicing stations, fuel filling stations, diagnostic and repair garage equipment;

import of design and technical documentation, patents, licenses, and know-how related to production and operation of purchased equipment;

rendering and obtaining foreign trade services relating to the imported goods.

Firms:

Termopress, Promoborudovanie, Spetsstankoliniya. Garazhdetal.

V/O CHIMMASHEXPORT

35 Mosfilmovskaya Ul., Moscow 117330, USSR
Cable address: TOTEM Moscow
Telex: 411063
Telephone: 143-86-63, 288-36-90

Activities:

export of oil field and geological prospecting equipment and equipment for building pipelines;

pulp-and-paper chemical, technical rubber, cryogenic, refrigerating, pump-and-compressor, diaphragm, and gas-cutting equipment;

import of equipment, completing components and spares for production lines in the chemical industry;

export and import of industrial equipment;

consultancy and engineering services in the chemical engineering industry both in the USSR and abroad.

Firms:

Neftemash, Chimmash, Kriogenmash, Promoborudovanie, Chimmashservice, Nasosmash, Promarmatura, Chimmashdetal, Chimkomplekt.

V/O DALINTORG

16a Nakhodkinsky Pr., Nakhodra (Primorsky Krai) 692900, USSR
Cable address: Dalintorg Nakhodka
Telex: 213853 DITORG, 213814 DIT SU

Activities:

coastal and border trade of Soviet Eastern Siberia and the Far East with Japan, the People's Republic of China, the People's Democratic Republic of Korea, and Australia.

Firms:

Dalexport, Dalimport, Dalprigran.

V/O ELECTRONORGTECHNIKA

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Elorg Moscow
Telex: 411385, 411386
Telephone: 205-00-33, 243-53-57

Activities:

export and import of computers, peripherals and software, services relating to computer installation, commissioning and maintenance, and training of personnel;

export and import of electronic components.

Firms:

Elorg ES, Elorgsistema, Elorgkomplekt, Elorgmash, Elorgintegral, Elorgkomponent, Elorgdetal, Elorgintech, Elorg SM, Elorgterminal, Elorgproekt, Elorgservis.

V/O ENERGOMASHEXPORT

Stroyenie 5, 24 Ul. Gertsena, Moscow 103009, USSR
Cable address: Energoexport Moscow
Telex: 411965
Telephone: 203-15-71

Activities:

export of equipment for thermal and hydroelectric power stations, gas and steam turbines for driving power generators and other machines, gas compressor units, compressors, steam and hot-water boilers, waste-heat boilers, excavators, diesel engines and diesel-electric generating sets, spares for the above equipment, forging, cultural and household articles and other facilities for the power engineering industry, including re-export;

sale of licenses, know-how and technical documents provided these are involved in exportation of the above goods;

supervision of installation and maintenance of the exported equipment;

import of special process equipment, machinery, spares and components for power-generating plant;

rendering and obtaining of foreign trade services relating to export, import and re-export of goods.

Firms:

Teploenergo, Gidroenergo, Importenergo.

V/O EXPORTKHLEB

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Exportkhleb Moscow
Telex: 411145, 411146, 411147
Telephone: 244-47-01, 244-12-47

Activities:

export and import of grain crops, legumes, oil seed and other cereal and forage crops.

Firms:

Zerno, Prodsyrio.

V/O EXPORTLES

19 Trubnikovsky Per., Moscow 121803, USSR
Cable address: Exportles Moscow
Telex: 411229
Telephone: 291-58-15, 291-61-16

Activities:

export and import of timber and pulp-and-paper goods.

Firms:

Pilolesexport, Exportdrev, Plitimpex, Tsellulozaimpex, Bumimpex.

V/O EXPORTLJON

33 Ul. Arkhitektora Vlašova, Moscow 117393, USSR
Cable address: Exportljon Moscow
Telex: 411204
Telephone: 128-07-86, 128-18-42

Activities:

export and import of raw materials for the textile industry and fabrics.

Firms:

Khlopok, Ljon, Runo, Promtkan, Tkanimex, Tekstilexport.

INGOSSTRAKH Joint Stock Insurance Company of the USSR

12 Pyatnitskaya Ul., Moscow 113035, USSR
Cable address: Ingosstrakh Moscow
Telex: 411144
Telephone: 231-16-77

Activities:

all types of insurance and reinsurance, including cargo, hull (ships) and liability of shipowners, construction and erection risks, fire and natural hazard, motor vehicles and liability, aircraft and helicopters and liability of their owners, and accident.

INGOSSTRAKH operated numerous agencies and representations both in the USSR and abroad.

The company's stock capital (100,000,000 Roubles) is paid up in full.

Insurance is carried out in any currency.

V/O LENFINTORG

98 Moskovsky Prospekt, Leningrad 196084, USSR
Cable address: Lenfintorg Leningrad
Telex: 121518
Telephone: 292-56-33, 296-11-65

Activities:

border and coastal trade with Finland, Norway, and Sweden.

Firms:

Vneshlensyryo, Vneshlenprom, Kooperatsiya.

V/O LICENSINTORG

11 Minskaya Ul., Moscow 121108, USSR
Cable address: Licensintorg Moscow
Telex: 411415
Telephone: 145-27-00, 145-29-00

Activities:

sale and purchase of patents, licenses and know-how and commercial exchange of those and other industrial property rights, rendering of technical services, including engineering, testing of raw materials, and elaboration of DPR;

export and import of goods and services relating to Licensintorg's activities.

Firms:

Licensmet, Licensenergo, Licensmash, Licenstransmash, Licenselec, Licenschim, Licenspolitech, Limco, Licensnauka.

V/O MACHINOEXPORT

35 Mosfilmovskaya Ul., Moscow 117330,USSR
Cable address: Machinoexport Moscow
Telex: 411207, 411242
Telephone: 147-15-42, 143-84-68

Activities:

Export of construction equipment and equipment for the building material industry; mining and dressing equipment; cranes, excavators, loaders, tackles, winsches, peat-handling equipment; spares, completing components and accessories for the above machinery and equipment; building steel structures for industrial facilities; reservoirs; electric power, insulators, power transmission line equipment; trolley-buses, equipment for traction substations, mobile gas-turbine power stations; metro cars, electric mine locomotives;

import of trolley-buses, completing components and spare parts for those; certain types of equipment for power transmission lines;

export and import of licenses, know-how, and egineering services for the machinery and equipment of the Machinoexport's list.

Firms:

Energovolt, Komplektmach, Zapchastmach, Mechstroimach, Rudmach, Stroimach, Energoapparat, Energotransmach, Servismach, Intechmach, Energodetal.

V/O MACHINOIMPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Machinoimport Moscow
Telex: 411231
Telephone: 244-33-09

Activities:

export of completing components for imported railway rolling stock;

import of power-generating plant, materials-handling, pumping and compressor, oil and gas production and processing equipment, excavators, railway rolling stock, spares, and obtaining services for maintenance of purchased equipment.

Firms:

Kranoekskavator, Gazhydromash, Energosila, Zheldormash, Podyomtransmash, Podyomkar, Gazneftemash, Elektrolokmash, Inzhservismash.

MASHPRIBORINTORG

Address:
32/34 Smolenskaya-Sennaya
ploshchad,
Moscow 121200, USSR
Cable: Moskva Mashpribor
Telex: 411235, 411236
Telephone: 244-27-75

Director-General —
Chairman of the Board
V. Klimov

EXPORT AND IMPORT

●

communication equipment

●

electronic measurement and optical instruments

●

hail protection equipment

●

respiratory organs protection equipment

●

weather radars

IMPORT

●

complete laboratories

●

geophysical equipment

●

testing machines

●

electronic microscopes

V/O MEBELINTORG

35 B.Filyovskaya Ul., Moscow 121433, USSR
Cable address: Mebelintorg Moscow
Telex: 411282 DERBI, 411481 FILI
Telephone: 146-36-72

Activities:

import and export of furniture, import of valuable hardwood, veneer, and wooden building components.

Firms:

Mebelimport, Mebelexport, Mebelinterier, Importdrev.

V/O METALLURGIMPORT

33 Ul. Arkhitektora Vlasova, Moscow 117393, USSR
Cable address: Metallurgimport Moscow
Telex: 411388
Telephone: 128-09-32

Activities:

import of equipment for extraction, dressing and treatment of minerals, metallurgical and materials-handling equipment for metallurgy.

Firms:

Imgormash, Improkatmash, Immetmash, Imlitmash, Imtrubmash, Imchermetproekt, Imtsvetmetproekt.

V/O MEZHDUNARODNAYA KNIGA

39 Ul. Dimitrova, Moscow 113095, USSR
Cable address: Mezhkniga Moscow
Telex: 411160
Telephone: 238-46-00

Activities:

export and import of printed matters, works of fine arts and music.

Firms:

Sovinkniga-S, Sovinkniga-EA, Sovinkniga-A, Sovinkniga-ALA, Sovinkniga-F, Sovinperiodika, Soviskusstvo, Sovinfilateliya.

The USSR foreign trade Association

Medexport

exports Soviet-made medical and microbiological products and imports miscellaneous medical goods. The list of exported articles includes 4,000 items. Medexport maintains business ties with trade companies and medical circles in more than 80 countries. Export and import transactions of the Association are effected by its specialized firms:

LEKEXPORT – *export of ready-to-use medicines and blood substitutes*

BIOPHARM – *export and import of pharmaceutical substances, vaccines and sera, diagnostic biological preparations, as well as import of semifinished products for the medical and microbiological industry*

TECHNOPHARM – *export and import of licences on medical and microbiological products and on their production, as well as export and import of special process equipment for the medical and microbiological industry*

MEDBIOPRODUKT – *export and import of microbiological products, officinal plant raw stock, enzymes, polymer articles, dressings, and dental materials*

LEKIMPORT – *import of ready-to-use medicines*

VETPREPARAT – *export and import of veterinary drugs: ready-to-use medicines vaccines, sera and reagents*

Address: **Medexport,** *31 ulitsa Kakhovka,*
Moscow 113461, USSR
Cable: Moskva Medexport
Telex: 411247 MDEX SU
Telephone: 331-82-00

V/O NEFTECHIMPROMEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Neftechimpromexport Moscow
Telex: 411113
Telephone: 220-11-09

Activities:

construction and renovation of oil refineries, petrochemical, chemical and fertilizer plants, as well as those in the wood-pulp and paper and microbiological industries in foreign countries on technical assistance terms and on a contract basis;

sale of forwarding licenses and know-how; collection of initial data required for design; feasibility studies design and survey work; designer's supervision of construction work; delivery of equipment, instruments, materiales and spares, erection, setting-up and commissioning of equipment; construction of projects on a turn-key basis; training of the Client's technical personnel both locally and in the USSR.

V/O NOVOEXPORT

2 Ul. Chekhova, Moscow 103006, USSR
Cable address: Novoexport Moscow
Telex: 411254 SU, 411255 SU
Telephone: 299-88-48, 299-26-04, 299-29-52, 299-62-93

Activities:

export of articles of folk art, secondary raw materials and certain industrial wastes; peat and peat products, wooden articles; hiking and fishing gear, modelling and do-it-yourself kits.

Firms:

Novoprom, Novobalt, Sadko, Kovry.

V/O PRODINTORG

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Prodintorg Moscow
Telex: 411206
Telephone: 244-26-29

Activities:

export and import of meat and meat products, canned meat and dairy products, poultry, endoncrine-ferment raw material, by-products, game meat, wild fowl meat, and other animal products;

import of coffee, cacao, cacao products, tea, spices, cashewnuts, almonds, filbert, starch, confectionary and macaroni foods; cooking salt, and zoo animals;

export of Tibetan medicine, agar-agar, and liquorice.

Firms:

Myaso, Sakhar, Maslo, Moloko, Cacao.

V/O PROMMASHEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Prommashexport Moscow
Telex: 411932
Telephone: 220-15-05

Activities:

technical assistance in the construction and modernization of projects.

The Prommashexport program includes:

engineering, machine-tool and tool-making plants;

foundry, metal-working and steel structures plants;

plants for manufacture of tractors and agricultural machinery;

plants for manufacture of power-generating equipment, electrical and radio engineering items;

instrument-making plants;

radio broadcasting stations, communication and television broadcasting facilities;

automatic control systems for branches of industry, individual enterprises, technological processes, and installations;

automatic air traffic control systems;

fishery projects and delivery of fishing-boats;

sugar mills;

film studios and cinemas;

printing houses;

aerodromes and airports.

V/O PROMMASHIMPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Prommashimport Moscow
Telex: 411261
Telephone: 244-43-57

Activities:

import of complete plant and miscellaneous equipment for wood-pulp and paper, woodworking, electrical, printing industries, etc.

Firms:

Promtsellulozmash, Prombummash, Promdrevmash, Promraznomash, Promelektromash, Promstroy, Prompoligraphmash.

V/O PROMSYRIOIMPORT

13 Ul. Chaikovskogo, Moscow 121834, USSR
Cable address: PSIM Moscow
Telex: 411151, 411152, 411112
Telephone: 203-05-77, 203-05-95, 203-06-46

Activities:

export and import of iron and steel products.

Firms:

Promstallist, Promtrubimpex, Promstalsyrio, Promspetsstal, Prommetiz, Promtrubimport, Promlistimpex.

V/O RAZNOEXPORT

15 Verkhnyaya Krasnoselskaya Ul., Moscow 107896, USSR
Cable address: Raznoexport Moscow
Telex: 411408
Telephone: 264-56-56, 264-01-83

Activities:

export and import of consumer goods.

Firms:

Odezhda, Obuv, Trikotazh, Galantereya, Farfor, Kulttovary, Sporttovary, Tabak, Assortiment, Legpromintorg.

V/O RAZNOIMPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Raznoimport Moscow
Telex: 41118
Telephone: 244-37-61, 244-17-51

Activities:
export and import of non-ferrous metals and ores, non-ferrous metal concentrates and rolled products, natural and synthetic rubber, and technical rubber products.

Firms:
Sovaluminy, Sovkauchuk Sovrezinotechnika, Sovtsvetmet, Sovtsvetprokat.

V/O SELKHOZPROMEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Selkhozpromexport Moscow
Telex: 411933
Telephone: 220-16-92

Activities:
technical assistance in the construction of hydraulic reclamation and irrigation projects, factories for processing of agricultural raw material, meat, meat products, factories for production of food-stuffs and flavourings, liquors and various soft drinks, hothouses, poultry farms; enterprises of the microbiological industry, enterprises for processing of wood and woodworking waste products, etc.

V/O SKOTOIMPORT

6 Ul. Makarenko, Moscow 103062, USSR
Cable address: Skotoimport Moscow
Telephone: 221-64-79

Activities:
import of cattle fit for slaughter, sheep, goats, hogs, meat horses, meat, and meat products;
export of pedigreed and sport horses, pedigree cattle, sheep and goats.

V/O SOJUZCHIMEXPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Sojuzchimexport Moscow

Telex: 411295, 411296, 411297
Telephone: 244-21-81

Activities:
export and import of chemical products.

Fimrs:
Agrochim, Arochim, Gammachim, Metachim, Neochim, Polymerchim, Monochim, Sintezchim, Chimvolokno, Izopolymer.

V/O SOJUZGAZEXPORT

20 Leninsky Prospekt, Moscow 117071, USSR
Cable address: Sovgaz Moscow
Telex: 411987
Telephone: 230-24-10

Activities:
trade in natural gas.

Firms:
Eximgaz, Intergaz, Spetsgaz.

V/O SOJUZNEFTEEXPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Nafta Moscow
Telex: 411148A, 411148B, 411148C, 411148D, 411148E
Telephone: 244-40-48, 244-40-49

Activities:
export and import of oil and oil products.

Firms:
Euronafta, Internafta, Vostoknafta, Dalnafta.

V/O SOJUZKARTA

45 Volgogradsky Prospekt, Moscow 109316, USSR
Cable address: Sojuzkarta Moscow
Telex: 411222 KARTA SU
Telephone: 177-40-50

Activities:
topographic and geodetic survey, aerial photography and mapping in foreign countries;
technical assistance in the development of geodetic activities in foreign countries;

export of the equipment and instruments for carring out topographic and geodetic operations abroad;
export of cartographic products;
export of products made through remote sensing;
import of geodetic equipment.

V/O SOJUZKOOPVNESHTORG

15 B. Cherkassky per., Moscow 103626, USSR
Cable address: Sojuzkoopvneshtorg Moscow
Telex: 411127
Telephone: 430-71-21

Activities:

export of fresh, dried, canned, pickled and salted vegetables, fresh and dried fruit, nuts, mushrooms, berries, honey, apicultural products, medicinal herbs, souvenirs and toys, consumer goods, industrial waste and secondary raw material;

import of clothes, knitwear, footwear, fabrics, carpets and other consumer goods.

V/O SOJUZPLODOIMPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Plodoimport Moscow
Telex: 411262, 411329
Telephone: 244-22-58

Activities:

import and export of a wide range of goods of vegetable origin, fruit, fresh and processed vegetables, leaf tobacco, liquors, etc.

Firms:

Konservy, Plody, Agroproduct, Vinoexport, Semena.

V/O SOJUZPROMEXPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Promexport Moscow
Telex: 411268
Telephone: 244-19-79, 244-47-68

Activities:

export and import of ores, their concentrates, solid fuels, fertilizers and other raw materials.

Firms:

Ugol, Ruda, Udobreniya, Raznoprom.

V/O SOJUZPROMIMPORTTORG

25 Prospekt Vernadskogo, Moscow 117929, USSR
Cable address: Sojuzpromimporttorg Moscow ARTUS
Telex: 411245 ARTUS
Telephone: 131-51-28, 131-51-30

Activities:

exchange of consumer goods with socialist countries, including exchange operation with large department stores and border exchange;

export and import of consumer goods within the framework of trade exchange operations.

V/O SOJUZPUSHNINA

12 Pervy Krasnogvardeisky Pr., Moscow 103012, USSR
Cable address: Sojuzpushnina Moscow
Telex: 411150
Telephone: 259-99-79, 259-99-85

Activities:

export and import of furs and pelts and their articles, animal hair, natural and artificial bristles and their articles, vegetable tanning agents, etc.;

organization of fur auctions in the USSR and participation in auctions abroad, as well as rendering of foreign trade services, including sale of foreign furs at auctions in the USSR.

Firms:

Mekha, Kozha, Zhivsyrio, Pushnoi Auktsion.

The Pushnoi Auktsion Firm organizes and holds fur auctions in the city of Leningrad.

The Firm's address: 98 Moskovsky Prospekt, Leningrad 196084, USSR
Telex: 1507
Telephone: 298-46-36

V/O SOJUZTRANSIT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Sotra Moscow
Telex: 411266, 411291
Telephone: 244-39-51

Activities:

forwarding of foreign cargoes in transit via the USSR territory from third countries to third countries by any conveyance, including combined transport.

Firms:

Sibtransit, Irantransit, Yuzhtransit.

V/O SOJUZVNESHTRANS

17 Gogolevsky Bulvar, Moscow 121019, USSR
Cable address: Vneshtrans Moscow
Telex: 411441, 411451
Telephone: 203-11-79

Activities:

forwarding of foreign trade and other cargoes in the territory of the USSR and abroad by sea, river, rail, motor and air transport.

Firms:

Vostoktrans, Zheldortrans, Intertrans, Interkluchservice, Containertrans, Sevzaptrans, Transservice, Frakhtservice, Expresstrans, Yugdaltrans.

V/O SOJUZVNESHTRANS is a principal shareholder of the following joint-stock companies dealing with forwarding: Asotra (Austria), Astras and Afsotr (Afghanistan), Wesotra (the FRG), Italsotra (Italy), Irsotr (Iran), Saimaa Lines (Finland), and Skansov (Sweden).

V/O SOJUZVNESHTRANS is a member of the International Federation of Forwarders Associations (FIATA).

V/O SOVBUNKER

10/12 Kaloshin Per., Moscow 121002, USSR
Cable address: Sovbunker Moscow
Telex: 411170
Telephone: 248-23-60

Activities:

export of bunker fuel, spare parts for vessels;

installation of process equipment and channel dredging in foreign ports;

import of spare parts for ship and port facilities, lubricating oils, paints, and other materials for marine and harbour service;

import of services for ship repairs and modernization, bunker fuel, navigation, radio navigation equipment, and communication facilities.

Firms:

Mornefteprodukt, Mortechobsluzhivanie, Morsudoremtechnika, Mortechsodeistvie.

V/O SOVELECTRO

1/4 Deguninskaya Ul., Moscow 127486, USSR
Cable address: Sovelectro Moscow
Telex: 411003
Telephone: 487-31-18

Activities:

export and import of rotary electric machines, high-voltage equipment, transformers, low-voltage electrical equipment, household electrical appliances, lighting fixtures, and light sources.

Firms:

Electromashina, Electrovolt, Electroapparat, Electroterm, Electrokultbyt, Electrotechmash, Electrosvet, Electrotransport, Electrotechkomplekt, Electrocoop.

V/O SOVEXPORTFILM

14 Kalashny Per., Moscow 103869, USSR
Cable address: Sovexportfilm Moscow
Telex: 411143
Telephone: 290-50-09

Activities:

export of colour and black-and-white full-length and short films on 35-mm (standard and wide-screen versions), 70-mm (wide-gauge), and 16-mm films made by different Soviet film studios.

V/O SOVEXPORTFILM imports full-length feature and short films to be shown in the USSR.

SOJUZZAGRANPRIBOR
is All-Union self-supporting Foreign Trade Association of the USSR Ministry of Instrument Making, Means of Automation and Control Systems.

Address: 5 ulitsa Ogaryova, Moscow 103918, USSR
Telex: 411437
Telephone: 229-61-10

General Director: Yu. Agapov.
Deputy General Directors:
Yu. Karasyov,
V. Volokitin,
Yu. Lozovoi-Shevchenko,
L. Papin,
G. Filchenko,
Ye. Fomichyov,
V. Shulyakovsky,
G. Uzunov

The list of Sojuzzagranpribor exported articles, includes:
– process control and analytical instruments;
– electric measuring and geophysical instruments, testing and weighing equipment;
– general-purpose computers, office equipment, and computer software;
– installation, adjustment and start-up of imported computer equipment for projects built in the USSR;
– amber and amber articles, gold and silver jewellery, stone cutting instruments, silver tableware, cut jewellery insertion pieces made of synthetic stones;
– watches and clocks;
– medical instruments and devices;
– computer-based process control systems for various fields of science and technology.

The Association undertakes development and designing of instruments and control facilities, supervises their delivery to designated sites.

The Association guarantees a high-quality technical maintenance of computing technology and training of specialists.

Sojuzzagranpribor imports accessory articles and materials for instrument-making and computer peripherals.

Sojuzzagranpribor has a specialized commercial show-room with jewellery on sale. The jewellery salon takes up customers' orders for the manufacture of jewellery articles according to their personal design.

Settlements are made in freely convertible currency, credit cards and in travellers' cheques.

Tax-free export of articles purchased at Sojuzzagranpribor's show-room is guaranteed.

Address:
30 Grokholsky pereulok, Moscow, USSR
Open: Monday through Friday, from 10:00 to 18:00
Telex: 411437
Telephone: 280-47-06

V/O SOJUZZAGRANPRIBOR

V/O SOVFRAKHT

1/4 Ul. Zhdanova, Moscow 103759, USSR
Cable address: Sovfrakht Moscow
Telex: 411168
Telephone: 926-11-18

Activities:

chartering of foreign and tanker tonnage for shipment of Soviet foreign trade cargoes on trip charter, time charter and contract basis; chartering out of Soviet vessels for shipment of cargoes booked by foreign charterers;

operation of foreign tonnage chartered on time charter basis;

agency, steevedoring and other services for Soviet and foreign flag chartered vessels;

participation in the development of new forms of standard charters, bills of lading and other shipping documents jointly with appropriate Soviet shipowners and foreign trade organizations;

legal and commercial protection of interests of Soviet shipowners and foreign charterers.

V/O SOVINFILM

20 Skatertny Per., Moscow 121069, USSR
Cable address: Sovinfilm Moscow
Telex: 411114
Telephone: 290-10-00, 290-30-00

Activities:

commercial relations between Soviet film studios and foreign film organizations and firms for providing and obtaining production and art services for joint films.

V/O SOVINFILM offers foreign partners a wide range of cinematographic services on commercial terms.

V/O SOVINTERSPORT

5 B. Rzhevsky Per., Moscow 129069, USSR
Telex: 411287 PRIZ
Telephone: 291-91-49

Activities:

commercial activities related to sending Soviet sportsmen abroad and receiving foreign sportsmen in the USSR; external transactions for selling sports goods and equipment.

Firms:

Sovalptur, Sovsportreklama, Sportintur, Sovsportimpex.

V/O SOVKOMFLOT

1/4 Ul. Zhdanova, Moscow 103759, USSR
Cable address: Sovkomflot Moscow
Telex: 411168
Telephone: 926-13-01

Activities:

operates bare-boat charter ships;

charters out bare-boat charter ships;

undertakes maintenance and repairs of bare-boat charter ships;

provides and obtains services in connection with similar operations both in the USSR and abroad.

Firms:

Exportflot, Komflotimport.

V/O SOVRYBFLOT

9 Rozhdestvensky Bul., Moscow 103045, USSR
Cable address: Sovrybflot Moscow
Telex: 411208
Telephone: 208-40-57

Firms:

Moreprodukt, Techsnabzheniye, Inrybmash, Okean, Flot, Remont, Smeshanniye Kompanii (Joint Companies).

V/O SOJUZVNESHSTROJIMPORT

6 Tverskoi Bul., Moscow 103009, USSR
Cable address: Sojuzvneshstrojimport Moscow
Telex: 411434
Telephone: 290-06-84, 290-30-83

Activities:

organization and execution of work to design, build and reconstruct in the USSR industrial, civil and transport projects and related auxiliary structures, erection of buildings and engineering systems with participation of Soviet and/or foreign organizations and firms, as well as organization and execution of work for building integrated projects in the USSR by organizations of the CMEA member-countries;

import and export operations relating to the construction of projects, including import and export of prefabricated sectional structures for industrial and civil use;

technical training of personnel, both in the USSR and abroad, to operate facilities built in the USSR.

Firms:

Gazstroj, Interstroj, Promvneshstroj, Neftestroj, Grazhdanstroj, Strojkomplekt, Inservisstroj, Tekhstroj, Instroj.

V/O STANKOIMPORT

34/63 Ul. Obrucheva, Moscow 117839, USSR
Cable address: Stankoimport Moscow
Telex 411991, 411992, 411993
Telephone: 333-51-01

Activities:

export and import of metal-working machine tools, forging machinery and presses, foundry equipment, automatic moulding machines, industrial robots and manipulators, wood-working machines, measuring instruments, machinery and tools, spares, components, and accessories for the above equipment; hard-alloy articles, as well as those made of abrasives, natural and synthetic diamonds and other superhard materials, automatic metal-working lines;

supervision of installation and maintenance of the USSR-exported equipment;

purchase and sale of licenses, know-how and technical documents provided these are involved in exportation and importation of the above goods;

rendering of technical services on commercial terms and overhauls of machine tools, forging machinery and presses as requested by foreign Clients.

Firms:

Stankorotor, Stankomodul, Stankofrez, Stankosistema, Stankoavtomat, Stankopress, Stankoinstrument, Stankodetal, Stankorobot, Stankokomplekt, Stankolit.

V/O STROJMATERIALINTORG

50, Korp.2 Sokolnichesky Val, Moscow 107113, USSR
Cable address: Stromintorg Moscow
Telex: 411887
Telephone: 269-05-54, 269-05-55

Activities:

export and import of cement, asbestos-cement articles, asbestos and technical asbestos articles, structural glass, plumbing and sanitation equipment, tiles, finishing and building materials.

Firms:

Cement, Asbest, Steklo, Mineral.

V/O SUDOIMPORT –

exporter of vessels and marine equipment

V/O SUDOIMPORT INCLUDES 11 SPECIALIZED FIRMS:

SUDOTRANSPORT	– export of transport, technical fishing and hydrofoil ships; import of marine technological equipment
SUDODIESEL	– export and import of marine diesels and equipment
SUDOMECHANISM	– export and import of marine mechanical equipment
SUDOELECTRO	– export and import of electrical and radionavigational equipment
SUDOREMONT	– export and import of marine repair services
SUDOFLOT	– import of sea cargo and fishing vessels, icebreaking and research ships; export of rescue craft and their equipment
SUDOTECHFLOT	– import of river vessels, technical and research ships, water craft, sea sailing ships; export of river cargo vessels
SUDOSHELF	– export and import of vessels and off-shore drilling rigs for oil and gas exploration and production
SUDOKOMPLEKT	– export and import of marine spare parts, equipment and instruments for installation in the ships being built to Soviet orders
SUDOTECHPROMSHELF	– export and import of technical means and plant for the development of oil-gas off-shore fields, export and import of production equipment for the works manufacturing off-shore and stationary oil-gas drilling and production platforms; import of off-shore stationary drilling platforms, geophysical and technological equipment for off-shore oil and gas exploration and production; leasing of vessels and drilling rigs
SUDOINZHTECH	– import of specimens of sophisticated equipment and engineering complexes, solving of engineering problems
ADVERTIZING AND EXHIBITION DEPARTMENT	– organization and conduct of advertising campaigns and exhibitions

Sudo®

10 Uspensky Lane,
103006 Moscow

V/O TECHMASHEXPORT

35 Mosfilmovskaya Ul., Moscow 117330, USSR
Cable address: Techmashexport Moscow
Telex: 411068 TENEX SU, 411228 TECEX SU
Telephone: 143-86-60

Activities:

export of machinery and equipment for the textile, light, food, printing and electronic industries, as well as of commercial refrigeration equipment.

Firms:

Legprommash, Matex, Inpoligraph, Prodmash, Techmashdetal, Torgmash, Techmashservice, Techinzh.

V/O TECHMASHIMPORT

19 Trubnikovsky Per., Moscow 121069, USSR
Cable address: Techmashimport Moscow
Telex: 411194, 411195, 411306
Telephone: 202-48-00

Activities:

import of complete sets and individual items of equipment for production of artificial and synthetic fibres and feedstock, including caprolactam, production of organic chemicals, synthetic rubber, technical rubber resin, glass fibre; equipment for plastic processing, including casting and pressing, for purification of potable and waste water, for production of plant protection chemicals, mineral and nitrogen fertilizers; industrial refrigerating equipment and equipment for production of inorganic chemicals; specialized chemical equipment, as well as import of spares for the above equipment.

Firms:

Techmashchimvolokno, Techmashorganika, Techmashkauchuk, Techmashkholod, Techmashkomplekt, Techmashchimapparat, Techmashplastik, Techmashazot, Techmashagrochim.

V/O TECHNOEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Technoexport Moscow
Telex: 411338
Telephone: 220-17-82, 233-59-87

Activities:

technical assistance of foreign Clients in comprehensive geological prospecting for oil and gas;

organizing oil production of proven oil fields;

construction of factories and plants for the light industry, plants for making pharmaceuticals, medical instruments and articles; polyclinics, general and specialized hospitals, balneological facilities; higher, secondary and specialized secondary-education establishments, and skilled labour training centres.

At the Client's request the Association can send doctors and teachers to work at medical and educational establishments as well as experts in culture and art.

V/O TECHNOINTORG

64 Piatnitskaya Ul., Moscow 133836, USSR
Cable address: Technointorg Moscow
Telex: 411200
Telephone: 231-73-29

Activities:

export and import of television, radio, cine and photographic equipment, electrical household appliances, and household refrigerators.

Firms:

Televideo, Akustika, Fotokino, Elpex, Khladoimpex, Tentoservice.

V/O TECHNOPROMEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Technopromexport Moscow
Telex: 411158
Telephone: 220-15-23

Activities:

all types of operations relating to the construction of thermal and diesel power plants, hydroelectric power stations, high-voltage power transmission lines, and transformer substations.

The Association undertakes construction of power projects on a turn-key basis and in cooperation with foreign firms;

transfers know-how in design, construction and modernization of power projects;

delivers spares and undertakes maintenance of supplied plant;

sends specialists of the construction sites and trains local personnel both in the USSR and in the Client's country;

offers engineering and advising services.

The All-Union Export-Import Association

TECHNOSTROYEXPORT

renders assistance to foreign clients in the construction of:

- enterprises for the production of construction materials
- large-panel housing plants
- motor roads and railways, subways and undergrounds
- dwelling houses and office buildings, hotels, sport facilities
- bridges, tunnels, sea and river ports;
- trolleybus and tram lines;
- utility infrastructures
- hydrological, aerological, hydrometeorological stations

The scope of services on technical assistance offered by Technostroyexport includes:

- initial data collecting;
- feasibility studies:
- selection of industrial sites,
- survey and engineering work
- supply of complete plant and materials.
- erection, adjustment and start-up,
- training of the clients' personnel
- dispatch of highly qualified personnel to the Client's country·
- engineering services and know-how

Technostroyexport undertakes construction of the above projects on a turn-key basis.

Address:
18/1 Ovchinnikovskaya naberezhnaya,
Moscow 113324, USSR
Cable: Moskva, Technostroyexport
Telex: 411474 TSE SU
Telephone: 220-14-48, 220-16-70

Chairman of the Association:
V. Marushkin

V/O TECHNOPROMIMPORT

35 Mosfilmovskaya Ul., Moscow 117330, USSR
Cable address: Technopromimport Moscow
Telex: 411233
Telephone: 147-22-85, 147-22-77, 143-87-85, 143-06-71, 143-87-25, 143-87-24, 147-03-11, 147-53-58

Activities:

import of complete plant and miscellaneous equipment for the food and light industries, equipment for the meat and dairy industry, equipment for grain elevators and animal feed plants, manufacturing equipment for the electronic and radio-engineering industries; purchase of licenses, know-how and technical documents in cases where they are involved in importation of the above goods.

Firms:

Inzagmash, Inprodmash, Intechma, Inkozhmash, Inlegmash, Safarma, Inmolma, Inelma, Inpribor, Agroproekt, Inlegproekt..

V/O TECHSNABEXPORT

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Techsnabexport Moscow
Telex: 411328, 411239
Telephone: 244-32-85

Activities:

export and import of charged-particle accelerators, apparatus and instruments for nuclear physics, radioisotope instruments, medical equipment, instruments and accessories, ionizing radiation sources, fuel elements, rare-earth metals and their compounds, rare metals and their concentrates, materials for the electronic industry; services relating to processing and concentration of uranium using the Customer's feedstock; technical assistance to organizations of the CMEA member-countries;

export and import of licenses, know-how and technical documents in cases where they are involved in exportation and importation of the above goods;

installation and maintenance of the exported equipment.

Firms:

Atomrentgenpribor, Servicepribor, Uranservis, Redmetall, Technoservis, Medpribor, Medkomplekt, Medinstrument, Medlabor.

Address: 18/1 Ovchinnikovskaya naberezhnaya,
Moscow 113324, USSR
Cable: Moskva Techvneshtrans
Telex: 411588 TRANS SU · Telephone: 220-19-53

SUBJECT-MATTER OF ACTIVITY:

— operations on transportation and forwarding for foreign trade goods turnover with regard to rendering technical assistance to the All-Union Foreign Trade Associations and other organizations in the construction and operation of industrial enterprises and other projects on Soviet territory and abroad with the participation of foreign firms;

— organization of deliveries with all modes of transport and forwarding services of export, import and other types of cargo of the All-Union Associations Atomenergoexport, Neftechimpromexport, Prommashexport, Selkhozpromexport, Sojuzvneshstroyimport, Technopromexport, Technostroyexport, Technoexport, Tyazhpromexport and Tsvetmetpromexport.

TECHVNESHTRANS

V/O TJAZHMASH

25 Bolshaya Serpukhovskaya Ul., Moscow 113093, USSR
Cable address: Tjazhmash Moscow
Telex: 411390 METR
Telephone: 236-50-72

Activities:

export of metallurgical equipment, walking and wheel excavators, diesel and electric locomotives, railway cars, track liners diesel engine and diesel-electric generating sets;

maintenance of exported machinery and equipment.

Firms:

Metallurgmash, Gormash, Eximmash, Locomotive, Transmash, Dieselmash, Servicemash, Komplektimport, Intechmash.

V/O TRAKTOROEXPORT

21/5 Kuznetsky Most, Moscow 103031, USSR
Cable address: Traktoroexport Moscow
Telex: 411273, 411274
Telephone: 221-56-07, 923-13-38

Activities:

export and import of tractors, including disassembled tractors, road and road-building machinery; agricultural machinery, complete sets of equipment for livestock-breeding complexes and special-purpose equipment for field-crop and plant-growing farms, poultry farms, etc.; components; implements and spares for the above machinery and equipment; devices, tools and instruments for maintenance and running repairs of exported machinery and equipment; rendering of engineering services, carrying out of certification tests; cooperation with foreign firms.

Firms:

Tractor, Agrokomplekt, Selkhozagregat, Darmash, Zhivmash, Selkhozmash, Selkhozdetal, Tractorokomplekt, Agro, Tractorodetal, Niva, Agroservice, Tractorintech.

V/O TSVETMETPROMEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Tsvetmetpromexport Moscow
Telex: 411983 TSMPE SU
Telephone: 220-18-61

Activities:

technical assistance to foreign Clients in the deliveries of complete plant, design, construction, and operation of industrial projects:

in non-ferrous metallurgy — mines, open pits, dressing plants, metallurgical works for producing aluminium, copper, zinc, lead, tin, etc., plants for processing non-ferrous metals and producing semiconductor materials (silicon, germanium, etc.);

in the coal, shale and peat industries — coal, shale and peat mining plants, coal-preparation and peat briquetting plants, and underground coal gasification stations;

in the gas industry — gas mains, compressor stations, gasoline and gas-processing plants, oil products trunk lines, transfer pumping station, and tank farms.

The Association offers foreign Clients a full scope of services in the construction of complete industrial enterprises abroad.

The Association enters into contracts both within the framework of intergovernmental agreements and on general commercial terms.

V/O TYAZHPROMEXPORT

18/1 Ovchinnikovskaya Nab., Moscow 113324, USSR
Cable address: Tyazhpromexport Moscow
Telex: 411931
Telephone: 220-16-10

Activities:

technical assistance in the construction, modernization and expansion of iron-and-steel and ore-mining complexes, as well as of individual departments of by-product coke and sintering plants, blast-furnace and converter plants, electric-furnace and rolling-mill shops, hardware and refractory materials plants, ferroalloy smelteries, ferrous metal mines, ore-dressing plants, and open-pit mines.

The Association exports complete plant equipment, designs production units and industrial structures, including collection of initial data; supervises installation of equipment, takes part in start-up of projects, offers engineering consultancy in construction and erection work and in operation of metallurgical projects, transfers know-how in iron- and steel-making, and trains the Client's personnel. The Association also undertakes construction and erection work on a contract inclunding turn-key basis.

V/O VNESHPROMTECHOBMEN

9 Per. Vasnetsova, Moscow 129090, USSR
Cable address: Vneshpromtechobmen Moscow
Telex: 411181
Telephone: 284-72-41

Activities:

export and import of industrial and technical goods within the framework of exchange operations with socialist and developing countries on a balanced basis;

export of product made of secondary raw materials.

Firms:

Metalloobmen, Chimobmen, Machinobmen, Materialobmen.

USSR·MOSCOW
Vneshposyltorg

Founded in 1961.

Vneshposyltorg sells consumer goods, foodstuffs and industrial consumer goods in small wholesale lots to diplomatic and consular missions abroad, foreign firms, individuals and also to foreign specialists working on Soviet territory with payment in freely convertible currency.
Vneshposyltorg imports consumer goods, foodstuffs and industrial consumer goods for distribution in the USSR through Vneshposyltorg chain stores.

General Director and Board Chairman: Yu. Bulakh
Deputy General Directors: B. Karpov, V. Kondratyev, V. Rumyantsev, E. Shirvinsky.

Vneshposyltorg's firms:

PROMTOVARY – Director:
Telephone: 271-90-12
Export and import of consumer goods.

PRODTOVARY – Director: S. Dorofeyev
Telephone: 271-90-12
Export and import of foodstuffs.

TECHNIKA – Director: O. Kurenkov
Telephone: 271-90-12
Export and import of industrial consumer goods (household radio, photo and motion-picture equipment).

NOVINKA – Director: B. Petrenko.
Telephone: 271-90-12
Import of accessory materials for the production of footwear, clothing and other consumer goods.

**Address: 5, Marksistskaya ulitsa,
Moscow 109147, USSR
Cable: Moskva Vneshposyltorg
Telex: 411250
Telephone: 271-90-12**

V/O VNESHTECHNIKA

6 Starokonyushenny Per., Moscow 119034, USSR
Cable address: Vneshtechnika Moscow
Telex: 411418
Telephone: 201-72-60
Branch office: 2 Nikolsko-Botanicheskaya Ul., Kiev 282033, USSR
Cable address: Vneshtechnika Kiev
Telephone: 24-51-44

Activities:

commercial assistance to Soviet and foreign organizations and firms in the following technological spheres:

joint and contracted research, development and test work;

purchase and sale of licenses, know-how and rendering of engineering and consulting services related to scientific and technical cooperation;

tests of machinery, industrial plant equipment, and materials;

consultancy and training of personnel, technical assistance in key industries and branches of science and technology;

delivery of complete sets of documents for state-of-the-art industrial plant equipment, mechanisms, machines, and production technology.

VNESHTORGIZDAT All-Union Publishing and Printing Association

1 Ul. Fadeyeva, Moscow 125047, USSR
Cable address: Vneshtorgizdat Moscow
Telex: 411238
Telephone: 250-51-62

Activities:

Publishing in Russian and foreign languages of foreign trade advertising catalogues, prospectuses, posters, booklets, handbills, etc., as well as of technical documentation for Soviet export goods;

import of printing services – placing abroad of orders by Soviet publishing houses and other organizations for printing art albums, books, textbooks, journals and advertising matter;

export of publishing and printing services: translation of advertising matter, technical documentation, etc. from foreign languages into Russian and vice versa, editing of texts and art work; manufacture of dummies and plates for offset printing, typesetting and printing of books, binding and finishing, shipment of ready-made products; sale and leasing of slides, black-and-white photographs, and colour separations;

cooperates with foreign firms in publishing joint editions as joint ventures.

Vneshtorgizdat — Burda — Ferrostaal joint venture has been set up within the framework of the Association.

V/O VOSTOKINTORG

32/34 Smolenskaya-Sennaya Pl., Moscow 121200, USSR
Cable address: Vostokintorg Moscow
Telex: 411123
Telephone: 205-60-55

Activities:

export and import of goods except for machinery, equipment, petroleum products and medicine in the USSR trade with the Mongolian People's Republic, the Republic of Afghanistan, the People's Democratic Republic of Yemen, the Laos People's Democratic Republic, the Xinjiang-Uigur autonomous district of the People's Republic of China, the Islamic Republic of Iran, the Republic of Turkey, the Yemen Arab Republic, and the Republic of Djibouti.

Firms:

Vostokprodtorg, Vostoktextiltorg, Vostoksyriotorg, Vostokpromtorg, Vostokxinjiangtorg.

V/O ZARUBEZHGEOLOGIYA

10 Kaloshin Per., Moscow 121002, USSR
Telex: 411829
Telephone: 241-15-15

Activities:

technical assistance in geological prospecting; export and import of geological prospecting and geophysical equipment, spares, and rendering of other associated services.

FOREIGN TRADE FIRMS

All-Union Cardiological Research Centre

BIOKARD Foreign Trade Firm

15a Tretya Cherepkovskaya Ul., Moscow 121552, USSR
Telex: 411355 EKE
Telephone: 499-61-37

Activities:

export of biotechnical products (medicinal preparations, reagents, etc.); licenses for making medicinal preparation;

research, including medical and biological as well as clinic tests;

consultancy and services;

computer software for medical applications.

All-Union Research, Design and Engineering Institute of the Cable Industry Production Amalgamation

SOVKABEL Foreign Trade Firm

5 Shosse Entuziastov, Moscow 111112, USSR

Activities:

export of cable articles.

ATLANT Production Amalgamation for Making Household Refrigerators

VERAS Foreign Trade Firm

61 Prospekt Masherova, Minsk 220711, USSR

Activities:

export of household refrigerators and freezers.

AvtoVAZ Production Amalgamation

AvtoLADA Foreign Trade Firm

6 Ul. Gagarina, Togliatti, Kuibyshevskaya Obl. 445017, USSR
Cable address: FTF AvtoLada Togliatti
Telex: 214116
Telephone: 22-40-03, 22-40-35

Activities:

export of cars, spares and disassembled cars; import of components, maintenance, and training of foreign personnel.

AvtoZAZ Production Amalgamation

Foreign Trade Firm

8 Prospekt Lenina, Zaporozhye 330063, USSR
Telex: 127136
Telephone: 64-36-89

Activities:

export of ZAZ-968M, ZAZ-1102 minicars, LuAZ-969M cross-country vehicles and spares, 2СДМ-1, УД-15, УД-25 gasoline engines, АБ-1-11/30М1 gasoline-electric sets and spares; multiple-spot welding machines, tooling (die sets, press moulds) and finished castings of aluminium and iron alloys.

BASHNEFTECHIMZAVODY Territorial Amalgamation

Foreign Trade Firm

17 Sovetskaya Ul., Ufa, Bashkirskaya ASSR 450008, USSR

Activities:

export of spirits, phenols, xylenes, etc.

BOBRUISKSHINA Production Amalgamation

BOBRUISKSHINAEXPORT Foreign Trade Firm

Minskoye Shosse, Bobruisk-24, Mogilyovskaya Obl. 213824, USSR
Telex: 252167 WHEEL SU
Telephone: 3-43-94

Activities:

export of tires for trucks, cars, tractors and other agricultural machinery; waste products: rubberized cord, butyl diaphragms, and curing chambers;

import of rubber and accelerators for making rubber compound.

BIOGEN Intersectoral Research and Technical Complex

Foreign Trade Firm

16/10 Ul. Miklukho-Maklaya, Moscow 117871, USSR
Cable address: Biogen Moscow
Telex: 411982 TREM
Telephone: 335-18-00

Activities:

export of medicinal preparations, biochemical reagents, and instruments for biotechnology.

BUREVESTNIK Research and Production Amalgamation

BUREVESTNIK Foreign Trade Firm

68 Malookhtinsky Pr., Leningrad 195272, USSR
Cable address: Burevestnik Leningrad

Activities:

export of X-ray equipment for research and industrial applications.

ByelavtoMAZ Production Amalgamation

Foreign Trade Firm

3 Sotsialisticheskaya Ul., Minsk 220831, USSR
Telephone: 46-96-08

Activities:

export of diesel-powered drop-side trucks, chassis, dump-trucks with a payload capacity of 10 tons, bolster trucks for towing semitrailers with a maximum gross weight of a trailer train of 42 tons and a wide range of related trailers and semitrailers, 21-ton timber trucks, heavy-duty dump-trucks with payload capacities ranging from 30 to 180 tons for open-pit applications, underground dump trailer trains, two-wheel tractors, scrapers, trailers and couplers for cars;

import of components, materials, assemblies, and units.

Cheboksary Production Amalgamation for Making Weaving Machines

TEKSTILMASH Foreign Trade Firm

1 Prospekt Mashinostroitelei, Cheboksary, Chuvashskaya ASSR
428022, USSR

Activities:

export of looms and spares, in particular СТБ-type weaving machines, tape looms and warping machines.

CHELYABINSKMRAMOR Production Amalgamation

77 Prospekt Lenina, Chelyabinsk 454080, USSR

Activities:

export of marble.

CPSU 23rd Congress LIPETSK TRACTOR WORKS Production Amalgamation

Foreign Trade Firm

2 Krasnozavodskaya Ul., Lipetsk 398030, USSR

Activities:

export of T/40 tractors and spares.

CPSU 25th Congress NOVOPOLOTSKORGSINTEZ Production Amalgamation

NOVOPOLOTSKNEFTECHIMEXPORT Foreign Trade Firm

Novopolotsk-1, Vitebskaya Obl., 211440, USSR

Activities:

export of petrochemical products except for fuel and oil.

F.E. Dzerzhinsky Borisov CUT GLASS WORKS

2 Ul. Tolstikova, Borisov 222120, USSR

Activities:

export of glass-ware and quality glass-ware.

ELEKTRON Sumy Production Amalgamation

ELEKTRON Foreign Trade Firm

68a Komsomólskaya Ul., Sumy 244030, USSR
Cable address: Spektr Sumy

Activities:

export of electronical microscopes.

ELEKTRONMASH Leningrad Research and Production Amalgamation

ELMASHINTORG Foreign Trade Firm

111 Grazhdansky Prospekt, Leningrad 195265, USSR
73 Petergofskoye Shosse, Leningrad 198206, USSR

Activities:

export of inductosyns, 3-phase meters, NC machine tools, software, spinning reels, and diascopes

EYE MICROSURGERY Intersectoral Research and Technical Complex

Foreign Trade Firm

59a Beskudnikovsky Bul., Moscow 127486, USSR
Telex: 411856 OKO SU
Telephone: 484-81-20

Activities:

export of microsurgical instruments for ophthalmology; arrangement of courses for sharing surgery know-how with foreign physicians;

import of medical equipment and office facilities for ophthalmological institutions.

M.V. Frunze Sumy Engineering Research and Production Amalgamation

SUMYMASHEXPORT Foreign Trade Firm

58 Ul. Gorkogo, Sumy 244004, USSR

Activities:

export of pump-and-compressor equipment and equipment for the chemical industry.

M. Gorky Kiev Machine-Tool Production Amalgamation

Foreign Trade Firm

87 Brest-Litovsky Prospekt, Kiev 252062, USSR
Telephone: 442-83-24

Activities:

export of lathes, multispindle and automatic machines.

Ivanovo Machine-Tool Production Amalgamation named after the 50th Anniversary of the USSR

Foreign Trade Firm

1 Ul. Stankostroitelei, Ivanovo-9 153009, USSR
Cable address: 227151 Granit
Telex: 412687 ISPO SU

Activities:

export of machine tools, machining centres, and modules.

KamAZ Production Amalgamation

Foreign Trade Firm

4 Bul. Akademika Rubanenko, Naberezhnye Chelny, Tatarskaya ASSR 423810, USSR
Telex: 412658 KAMAZ SU
Telephone: 53-10-02

Activities:

export of KamAZ trucks and dump-trucks; units, assemblies and spares, chassis for mounting special superstructures, sets of trucks for assembly in importing countries; special tools, instrumentation and garage equipment; pneumatic and cutting tools; assistance in maintenance and repairs of KamAZ trucks; training of foreign personnel in maintenance of KamAZ trucks; export and import of components for KamAZ trucks.

KIRISHINEFTEORGSINTEZ Production Amalgamation named after the 50th Anniversary of the All-Union Leninist Young Communist League

Foreign Trade Firm

Kirishi, Leningradskaya Obl., 187110, USSR

Activities:

export of xylenes.

S.M. Kirov ELECTROSILA Leningrad Electrical Engineering Production Amalgamation

ELECTROSILA Foreign Trade Firm

139 Moskovsky Prospekt, Leningrad 196105, USSR

Activities:

export of hydraulic-turbine and turbine generator sets, electric machines for personal use and spares.

S.M. Kirov FIRST MOSCOW WATCH-MAKING FACTORY

Foreign Trade Firm

31 Marksistskaya Ul., Moscow 109147, USSR

Activities:
export of wrist-watches.

S.M. Kirov KHARKOV TURBINE WORKS Production Amalgamation for Making Turbines for Nuclear Power Plants

Foreign Trade Firm

199 Moskovsky Prospekt, Kharkov 310037, USSR

Activities:
export of turbines and spares.

KIROVOGRADNERUDPROM Production Amalgamation

P.O. Box No. 3, Kirovograd 316050, USSR

Activities:
export of granite.

KRASITEL Rubezhnoye Production Amalgamation

Foreign Trade Firm

2 Prospekt Khimikov, Rubezhnoye, Voroshilovgradskaya Obl., 349870, USSR

Activities:
export of semi-products, dyes and chemical additives.

KRASNY EKSKAVATOR Kiev Production Amalgamation named after the 60th Anniversary of the USSR

Foreign Trade Firm

111/2 Brest-Litovsky Prospekt, Kiev 252062, USSR

Activities:
export of wheel excavators.

KRASNY KOTELSHCHIK Production Amalgamation named after the 60th Anniversary of the USSR

TKZ Foreign Trade Firm

220 Ul. Lenina, Taganrog, Rostovskaya Obl., 347928, USSR

Activities:
export of boiler equipment, fittings, components, and spares.

KRASNY PROLETARIY Moscow Machine-Tool Production Amalgamation

Foreign Trade Firm

15 Malaya Kaluzhskaya Ul., Moscow 117071, USSR
Telephone: 330-98-82

Activities:
export of NC machine tools.

V.V. Kuibyshev ELECTROZAVOD Moscow Production Amalgamation

Foreign Trade Firm

21 Electrozavodskaya Ul., Moscow 105023, USSR

Activities:

export of industrial, river and marine vessel, and household transformers, reactors, household appliances, including electric irons, bells;

maintenance of exported equipment.

V.I. Lenin BRYANSK ENGINEERING WORKS Production Amalgamation

BRYANSKMASH Foreign Trade Firm

26 Ul. Ulyanova, Bryansk 241015, USSR

Activities:

export of diesel locomotives, spares and transport and marine diesel engines.

V.I. Lenin ELEKTRONMASH Kiev Production Amalgamation

Foreign Trade Firm

4 B. Okruzhnaya Ul., Kiev 252180, USSR

Activities:

export of ЭВМ computers.

V.I. Lenin IMPULS Severodonetsk Research and Production Amalgamation

Foreign Trade Firm

Pl. Pobedy, Severodonetsk-5, Voroshilovgradskaya Obl., 349940, USSR

Activities:

export of ЭВМ computers.

V.I. Lenin MINSK TRACTOR WORKS Production Amalgamation

MTZ Foreign Trade Firm

65 Dolgobrodskaya Ul., Minsk 220668, USSR

Activities:

export of steam boilers, farm tractors and two-wheel tractors.

V.I. Lenin NEVSKY WORKS Production Amalgamation

NEVMASHEXPORT Foreign Trade Firm

51 Prospekt Obukhovskoi Oborony, Leningrad 193029, USSR

Activities:

export of turbo-compressors and spares.

V.I. Lenin ZAPOROZHTRANSFORMATOR Production Amalgamation

Foreign Trade Firm

3 Dnepropetrovskoye Shosse, Zaporozhye 330047, USSR

Activities:

export of dividers, power transformers, complete switchgears, bus ducts for electric power stations, outdoor high-voltage current and potential transformers.

Leningrad Art Glass Works

9 Ul. Prof. Kachalova, Leningrad 193019, USSR

Activities:

export of cut glass and glass articles.

LENINGRAD METAL WORKS Turbine Production Amalgamation

18 Sverdlovskaya Nab., Leningrad 195108, USSR

Activities:

export of steam, gas and hydraulic turbines, spares for power-generating plant.

NOVOROSTSEMENT Novorossiisk Integrated Plant

NOVOROSTSEMENTEXPORT Foreign Trade Firm

Sukhumskoye Shosse, Novorossiisk, Krasnodarsky Krai 353902, USSR

Activities:

export of portland cement.

MECHANOBR Intersectoral Research and Technical Complex

Foreign Trade Firm

8a Dvadtsat Pervaya Liniya Vasilyevskogo Ostrova, Leningrad 199026, USSR
Telephone: 213-99-91

Activities:

laboratory and commercial tests for concentration of ores of non-ferrous and other metals; design of ore-dressing plants, including commercial ones; development, manufacture and delivery of ore-dressing laboratory equipment; development of novel crushing and grinding equipment, manufacture and delivery thereof; development of novel flotation and other types of ore-concentration equipment, manufacture and delivery thereof; development of novel flotation reagents; synthesis of laboratory-scale batches; laboratory investigations of novel reagents on different ores;

import of laboratory equipment for studying ore composition.

MEMBRANY Intersectoral Research and Technical Complex

META-FILTR Foreign Trade Firm

77 Ul. Frunze, Vladimir 600016, USSR
Cable address: POISK Vladimir
Telex: 218291 POISK
Telephone: 1-56-74

Activities:

export of diaphragm facilities, laboratory equipment, licenses and know-how.

METALLURGMASH Intersectoral Research and Technical Complex

VNIIMETMASHEXPORT Foreign Trade Firm

8a Ryazansky Prospekt, Moscow 109428, USSR
Telephone: 171-83-29

Activities:

export of metallurgical equipment: rolling and tube-rolling mills and components, presses, machines for finishing and processing of rolled products, and blast-furnace steel-making equipment.

MOSKVITCH Production Amalgamation

Foreign Trade Firm

42 Volgogradsky Prospekt, Moscow 109316, USSR
Telex: 411333 SSSR AZLK
Telephone: 276-87-32

Activities:

export of cars and spares, production and technical services, toys; import of production equipment, instruments, building structures, and complete sets of spares for cars.

GAZ Production Amalgamation

Prospekt Lenina, Gorki 603046, USSR

Activities:

export of cars and spares, special mounting tools, "cut-away" teaching aids and iron castings.

MOSRENTGEN Production Amalgamation

RENTGENIMPEX Foreign Trade Firm

Posyolok Mosrentgen, Moscow 142771, USSR

Activities:

export of PYM-20 and PYM-4 rentgen apparatus.

NAUCHNYE PRIBORY Research Instrumentation Intersectoral Research and Technical Complex

INTERNAUCHPRIBOR Foreign Trade Firm

26 Prospekt Ogorodnikova, Leningrad 198103, USSR
Telex: 121549 NTO AN
Telephone: 251-88-89 (Leningrad)
135-50-38 (Moscow)

Activities:

export and import of instruments and automation facilities for research as well as of equipment for making those.

NIZHNEKAMSKNEFTECHIM Production Amalgamation

Nizhnekamsk 423554, USSR

Activities:

export of ethyl cellosolve and styrene.

October Revolution MINSK MACHINE-TOOL Production Amalgamation

Foreign Trade Firm

16 Oktyabrskaya Ul., Minsk 220030, USSR
Telephone: 22-00-32

Activities:

export of planing and plano-type milling machines.

ODESSA MACHINE-TOOL Production Amalgamation

Foreign Trade Firm

1 Instrumentalnaya Ul., Odessa 270033, USSR

Activities:

export of radial drilling machines.

THE E.O. PATON

ELECTRIC WELDING INSTITUTE

A foreign trade firm

The subject-matter
of activity:

export and import of technology, equipment and materials for welding, brazing, building-up, coating deposition by gas-thermal, ion plasma, laser, ion and electron-beam techniques, as well as for producing construction materials using special electro-metallurgy and allied processes. Relevant "engineering" and "know-how" are available.

Address: 11 ulitsa Bozhenko,
Kiev-5 252650, USSR
Cable: STYK WTF KIEV USSR
Telex: 132174 STYK
Telephone : 227-12-88
(Kiev head-office)
229-92-41
(Moscow branch)

S. Ordzhonikidze KHARKOV TRACTOR WORKS Production Amalgamation

Foreign Trade Firm

275 Moskovsky Prospekt, Kharkov 310007, USSR

Activities:
export of T-150 tractors.

ORGANICHESKY SINTEZ Kazan Production Amalgamation

Foreign Trade Firm

52 Belomorskaya Ul., Kazan 420051, USSR

Activities:
export of monoethylene glycol, high-pressure polyethylene.

POLYMIR Production Amalgamation named after the 50th Anniversary of the Byelorussian SSR

Foreign Trade Firm

Novopolotsk, Vitebskaya Obl., 211440, USSR
Telephone: 5-72-49

Activities:
export of high-pressure polyethylene, nitrile-acrylic acid, methyl acrylate, acetone cyanohydrin, polyethyelene wax and polyacrilonitrile fibre.

POWDER METALLURGY Intersectoral Research and Technical Complex

Foreign Trade Firm

3 Ul. Krzhizhanovskogo, Kiev 252180, USSR
Cable address: Material Kiev
Telex: 132993 DOMNA
Telephone: 444-33-01

Activities:
export of licenses:
powder metallurgy — technology, materials;
structural clay products — technology, materials;
tool ceramics — technology, materials;
reinforced coatings — equipment, technology, materials.

PROGRESS Berdichev Chemical Engineering Production Amalgamation

SOVFILTRMASH Foreign Trade Firm

79 Ul. K. Libknekhta, Berdichev, Zhitomirskaya Obl., 261400, USSR

Activities:
export of miscellaneous equipment for the chemical industry, pressure filters, etc.

PROMPRIBOR Oryol Production Amalgamation

ORLEX Foreign Trade Firm

6 Ul. Lomonosova, Oryol 302040, USSR
Cable address: Rele Oryol

Activities:
export of thermostats and strain-measuring units.

RADUGA Lvov Glass Production Amalgamation

RADUGA Foreign Trade Firm

106 Ul. B. Khmelnitskogo, Lvov 290024, USSR

Activities:
export of glass-ware, quality glass-ware, cut-glass ware and glass statues.

RIGASELMASH Riga Plant

RIGASELMASH Foreign Trade Firm

23a Ul. Daugavrivas, Riga 226007, USSR

Activities:
export of farming trailers and fertiliser spreaders.

RYAZAN MACHINE-TOOL Production Amalgamation

RYAZANSTANOK Foreign Trade Firm

PO 022, Ryazan 390022, USSR

Activities:
export of metal-cutting machines of the lathe group.

SAYANMRAMOR Integrated Lapidary Works

Sayanogorsk, Krasnoyarsky Krai 662793, USSR

Activities:
export of marble.

SINTEZ-KAUCHUK Togliatti Production Amalgamation

TOGLIATTINEFTECHIMEXPORT Foreign Trade Firm

Novozavodskaya Ul., Togliàtti, Kuibyshevskaya Obl., 445007, USSR

Activities:
export of synthetic rubber.

SOVINTERAVTOSERVICE Production Amalgamation

2/1 Institutsky Per., Moscow 101496, USSR
Telex: 411008
Telephone: 299-77-73, 299-59-00

Activities:
comprehensive assistance in servicing foreign trucks and buses and catering for the needs of their crews in the territory of the USSR.

SOVTRANSAVTO Main Administration

2/1 Institutsky Per., Moscow 101496, USSR
Cable address: Sovtransavto Moscow
Telex: 411251, 411252, 411924
Telephone: 221-36-53, 971-36-63

Activities:
international road carriage of foreign trade, exhibition, and non-commercial, including diplomatic cargoes, as well as of personal effects on a commission from Soviet and foreign organizations, firms and individuals between the USSR and European and Asian countries.

SOVTRANSAVTO arranges international bus tours, including those in the USSR territory.

STROMAVTOLINIYA Mogilyov Production Amalgamation

STROMAVTOLINIYA Foreign Trade Firm

77 Pervomaiskaya Ul., Mogilev 212648, USSR

Activities:
export of equipment for making building materials: brick, asbestos, etc.; sale of licenses and know-how.

SVETOTECHNIKA Saransk Production Amalgamation

SVETOTECHNIKA Foreign Trade Firm

5 Shosse Svetotekhnikov, Saransk 430023, USSR
Cable address: Svetotechnika Saransk

Activities:
export of light sources and lighting appliances (electric lamps, special lamps).

TALLEX Tallinn Production Amalgamation
Foreign Trade Firm

12 Mustamyae Tee, Tallinn 200108, USSR

Activities:
export of excavators and spares.

ULYANOVSK HEAVY AND UNIQUE MACHINE TOOLS Production Amalgamation

Foreign Trade Firm

2 Ul. B. Khmelnitskogo, Posyolok Zasviyazhye, Ulyanovsk 432042, USSR

Activities:
export of heavy milling machines.

URALMASH Production Amalgamation

URALMASHEXPORT Foreign Trade Firm

5 Ul. Mashinostroitelei, Sverdlovsk 600012, USSR
Cable address: Uralmashexport Sverdlovsk

Activities:
export of excavators and spares, mining and metallurgical and oil drilling equipment, rolling mills, presses, continuous casting machines, crawler-mounted and walking excavators;
import of components and articles.

VOLGOGRAD INDUSTRIAL CARBON PLANT

61 Ul. 40-letiya VLKSM, Volgograd 404029, USSR

Activities:
export of industrial carbon.

VOLGOGRAD OIL ENGINEERING Production Amalgamation

VOLGOGRADNEFTEMASHEXPORT Foreign Trade Firm

1 Elektrolesovskaya Ul., Volgograd 400011, USSR

Activities:
export of oil refining equipment.

Voronezh Production Amalgamation for MAKING PRESS-FORGING PLANT

Foreign Trade Firm

75 Ul. Svobody, Voronezh 394086, USSR

Activities:
export of power presses.

YANVARSKOYE VOSSTANIE Odessa Production Amalgamation of Heavy Crane Building

YANVARSKOYE VOSSTANIE WORKS Foreign Trade Firm

2 Ul. Yanvarskogo Vosstaniya, Odessa 270017, USSR
Telex: 232714 KRAN

Activities:
export of heavy self-propelled rubber-tired cranes, hoisting cranes and spares for those.

A.A. Zhdanov IZHORA PLANT Production Amalgamation

IZHORA Foreign Trade Firm

1 Prospekt Lenina, Kolpino, Leningrad 188630, USSR
Cable address: Marten Leningrad

Activities:
export of excavators and spares, large-size rotor blanks, steam and hydraulic turbines, water-wheel generator shafts, large forgings, and rolled plate and sheet.

A.A. Zhdanov VLADIMIR TRACTOR WORKS Production Amalgamation

VLADIMIRETS Foreign Trade Firm

43 Traktornaya Ul., Vladimir 600005, USSR
Cable address: Kometa Vladimir

Activities:

export of T/25 tractors and spares, as well as air-cooled diesel engines.

ZIL Production Amalgamation

23 Avtozavodskaya Ul., Moscow 109280, USSR

Activities:

export of diesel- and gasoline-powered trucks, all-wheel drive trucks, ZIL model, special chassis and spares for those; 2-4-ton truck trailers, special service tools; export of 260-litre household refrigerators and spares for those.

THE COPYRIGHT AGENCY OF THE USSR (VAAP)

6a, Bolshaya Bronnaya ul., Moscow 103670, USSR
Cable: Moscow Avtor
Telex: 411327, 411452 Autr SU
Telephone: 203-45-99

A universal copyright agency of the USSR was instituted in 1973 in connection with the USSR's accession to the Universal (Geneva) Copyright Convention.

VAAP secures protection of the rights of Soviet and foreign authors of works published on Soviet territory, as well as the rights of Soviet authors and their successors if their works are used abroad.

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VAAP incorporates the information and advertising association VAAP-Inform, which annually puts out and distributes to foreign partners and firms a few hundred titles of catalogues, prospectuses, periodical editions, bulletins, press releases about new Soviet works of literature, science and art to be published in the USSR and abroad.

BANKS

The State Bank of the USSR (Gosbank SSSR)

12 Niglinnaya ul.,
Moscow 103016, USSR
Telephone: 923-2038

The State Bank of the USSR is the major organ in the Soviet banking community. It supervises the centralized management of the money and credit system of the country and is responsible for the uniform state credit policy, coordination of the activity of Soviet banks, provides the organization of interbank settlements, consolidation of money circulation, cash performance of the state budget, and participates in the shaping of the master currency plan of the country.

The State Bank of the USSR is the accrediting body for those foreign banks which express an intention of opening their representations in the Soviet Union.

The Bank for Foreign Economic Affairs of the USSR (Vneshekonombank SSSR)

37 ul. Plushchikha,
Moscow 119121, USSR
Telephones: 246-6731, 227-0253

Vneshekonombank is responsible for the organizing and effecting settlements on import, export and non-commercial transactions, the crediting of foreign trade associations, enterprises and organizations; supervises the fulfilment of the master currency plan of the country, rational and economical utilization of hard currency funds; effects transactions on international money and capital markets and payments involving foreign currencies and valuables.

The USSR Personal Savings and Credit Bank

12 Neglinnaya ul.,
Moscow 103016, USSR
Telephone: 925-4285

The USSR Personal Savings and Credit Bank is responsible for the savings business in the country,

clearing settlements and cash services for the population and, if necessary, for organizations and institutions, for floating and paying off state bonds and crediting consumer needs of individuals.

The USSR Bank for Municipal Services and Social Development

(Zhilsotsbank SSSR)
13 Dayev per.,
Moscow 103780, USSR
Telephone: 928-1701

The USSR Bank for Municipal Services and Social Development is responsible for organizing credits for general activity, investments and settlements in the sphere of municipal services, domestic trade, communal services, social and cultural development, the economy under local Soviets as well as in the sphere of cooperative labour and individual labour (self-employment).

The Agri-Industrial Bank of the USSR (Agroprombank SSSR)

12 Neglinnaya ul.,
Moscow 103016, USSR
Telephone: 221-3830

The Agri-Industrial Bank of the USSR is responsible for organizing credits and settlements in the agri-industrial sector of the country and in the sphere of consumer cooperatives.

The USSR Bank for Industrial Construction (Promstroibank SSSR)

13 Tverskoi bul.,
Moscow 103867, USSR
Telephone: 200-7910

The USSR Bank for Industrial Construction is responsible for organizing credits for general activity, financing and crediting investments and effects settlements in industry, construction, transport and communications and in the sphere of material supplies and other state organizations.

The International Bank for Economic Cooperation (IBEC)

15 Kuznetsky Most,
Moscow 103031, USSR
Cable: Moskva Mezhdbank
Telex: 411275 IBEC SU
Telephones: Directorate — 294-8911
Dealings room — 294-6910, 223-5174, 221-5598
Foreign exchange and correspondence banking — 228-7593

The International Bank for Economic Cooperation (IBEC) was established in 1963 by the CMEA member-countries: Bulgaria, Hungary, the GDR, Mongolia, Poland, Romania, the Soviet Union and Czechoslovakia and began its activity on 1 January, 1964. Cuba and the Socialist Republic of Vietnam joined the Bank respectively in 1974 and 1977.

IBEC is the bank of the socialist community with a collective membership. It organizes and effects multilateral settlements among its member-countries and credits their mutual foreign trade in transferable roubles, accumulates and holds in deposits their idle funds denominated in the same currency, as well as effects internationally accepted banking transactions in hard currency and gold such as loans, deposits, arbitrage which mostly have a financial nature.

The authorised capital of IBEC is established at 305.3 million transferable roubles. According to agreement among the member-countries, its pad-up part as of 1 January, 1988 stood at 230.3 million transferable roubles, one half of the sum being in transferable roubles and the other half in hard currency and gold.

The general trend of IBEC's activity is determined by its higher body — the Council of the Bank — which includes all the member-countries of the Bank. Top executives of the banks, deputy ministers of finance and foreign economic relations of socialist countries sit on the Council. Each of the member-country enjoys equal rights at the sittings of the Council, irrespective of the amount of their share in the authorised capital of the Bank and naturally is entitled to equal opportunities in obtaining credits and using other services offered by the Bank.

Any country can become a member of the International Bank for Economic Cooperation provided it shares its goals and principles and assumes obligations aristing from the Agreement on the establishment of the said Bank and its Statutes.

The International Investment Bank

17 Presnensky val,
Moscow 123557, USSR
Cable: Moskva Mezhdunarodny Investitsionny Bank
Telex: INBANK SU 411358, 411394
INBANK SU 411359, 411360, 411395, 411396
Telephones: 253-8024, 253-8371

The International Investment Bank (IIB) was set up in 1970 on the basis of the Agreement on the establishment of the Bank by the governments of the People's Republic of Bulgaria, the Hungarian People's Republic, the German Democratic Republic, the Mongolian People's Republic, the Polish People's Republic, the Union of Soviet Socialist Republics and the Czechoslovak Socialist Republic. Subsequently, the Socialist Republic of Romania, the Republic of Cuba and the Socialist Republic of Vietnam also joined the Bank.

IIB was set up as an open organization and any other country can become its member, provided it shares its goals and principles and assumes obligations arising from the Agreement on the establishment of the Bank and its Statute.

The International Investment Bank being a collective credit institution of CMEA member-countries features most prominently in their investment programmes and in the development of their national economics.

The Bank has a considerable credit potential with its authorised capital amounting as of 1 January 1988 to 1071.3 million transferable roubles, of which 489.2 million transferable roubles constitute a paid-up part, and 186.5 million transferable roubles — the Bank's reserve capital. When necessary, IIB attracts credits.

There are more than 300 foreign banks among IIB's business correspondents.

The IIB's supreme body is the Council of the Bank in which each CMEA member-country is represented by one vote irrespective of the amount of its share in the authorised capital of the Bank. This is the guarantee of full equality among CMEA member-countries in solving the questions of the Bank's activity. The current business of IIB is run by the Board of the Bank which reports to the Council of the Bank.

The representative offices of foreign banks accredited at the State Bank of the USSR

SOCIETE GENERALE, France
Room 1009, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413190
Telephones: 253-5145, 253-2596, 253-2651

CREDIT LYONNALS, France
Apt. 18, 4/17 Pokrovsky bul.
Telex: 413228, 413008
Telephones: 230-2288, 207-3398, 207-3417, 207-6489

BANQUE PARIBAS, France
Apt. 31, 4/17 Pokrovsky bul.
Telex: 413209
Telephones: 230-2188, 207-5988, 297-5511

BANQUE NATIONAL DE PARIS, France
Apt. 19, 4/17 Pokrovsky bul.
Telex: 413243
Telephones: 230-2766, 297-2490, 207-5888, 207-3489

CIC-UNION EUROPEENE, France
Room 609, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413375
Telephones: 255-6177, 230-2104, 253-1182

BANQUE GENERALE, Belgium

Rooms 1705-1706, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413904
Telephones: 253-7572, 253-1585

DEUTSCHE BANK AC, the FRG

23 ul. Ostozhenka
Telex: 413073
Telephones: 201-2988, 201-3033, 201-4675

DRESDNER BANK AG, the FRG

Room 1708, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413183
Telephones: 230-2506, 255-6170

COMMERZBANK AG, the FRG

Apt. 9, 4 per. Sadovskikh
Telex: 413274
Telephones: 230-2346, 209-2866, 209-6440

CREDITO ITALIANO, Italy

Apt. 40, 4/17 Pokrovsky bul.
Telex: 413266
Telephones: 207-5709, 230-2724, 207-0389

BANCO DI ROMA, Italy

Apt. 8, 4 per. Sadovskikh
Telex: 413294
Telephones: 230-2033, 209-6501

BANCA COMMERCIALE ITALIANA, Italy

Apt. 9, 4 per. Sadovskikh
Telex: 413482
Telephones: 230-2363, 209-6518, 209-6569

BANCO DI NAPOLI, Italy

Room 1008, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413105
Telephones: 230-2952, 255-5038, 253-2590

MIDLAND BANK PLC, United Kingdom

Room 1305, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413108
Telephones: 253-2144, 253-2148

BARCLAYS BANK PLC, United Kingdom

Apt. 14, 4 per. Sadovskikh
Telex: 413224
Telephones: 209-6452, 209-6438, 230-2902

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Head Office: 81 King William Street, London, EC4P 4JS United Kingdom. Telephone: 01-623 2066. Cables: "Narodny London EC4". International Telex Number: 885401. Foreign Exchange Telex Number: 884791. Swift Address: MNBLGB2L.

Singapore Branch 50 Robinson Road, P.O.Box 3883
Singapore 0106.
Telephone: 220 9422. Cables: "Narodny Singapore". International Telex Number: RS21726.
Foreign Exchange Telex Numbers: RS21045/6.

Moscow Representative Office. Pokrovsky Bulvar 4/17, Suite 34, Moscow, U.S.S.R. Telephone: 207 59 98 (local), 230 23 86 (international direct line). International Telex Number: 413121 (MNBRO SU).

NATIONAL WESTMINSTER BANK PLC, United Kingdom

Apt. 33, 4/17 Pokrovsky bul.
Telex: 413258
Telephones: 230-2244, 207-3397

LLOYDS BANK PLC, United Kingdom

Room 1808, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413057
Telephones: 230-2720, 253-8174, 253-1679

KANSALLIS-OSAKE-PANKKI, Finland

Apt. 4, 16, 4/17 Pokrovsky bul.
Telex: 413188
Telephones: 230-2456, 208-7656, 208-8294

UNION BANK OF FINLAND

MOSCOW REPRESENTATIVE OFFICE

Ul. Pushkinskaya 5/6 (Ent.4), Kv. 34—292 0338, 292 0985 292 3244, 292 3468; Telex:41 3286 UNIT SU. Telefax 230 27 37
(Entrance from Proyezd Khudozhestvennovo Teatra)
Chief Representative Ewald Tillanen H 434 7248, Leninsky Pr. 148. Kv. 193—194
Dy Representative Erkki Pesonen (m) H 434 4622, Ul. 26—Bakinskikh-Komissarov 9. Kv. 126

SKOPBANK, Finland

Apt. 2, 4 per. Sadovskikh
Telex: 413432
Telephones: 230-2646, 209-6836, 209-6842

SVENSKA HANDELSBANKEN, Sweden

Apt. 35, 4/17 Pokrovsky bul.
Telex: 413201
Telephones: 230-2544, 207-6008, 207-2618

AMROBANK, the Netherlands

Room 1707, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413301
Telephones: 230-2284, 253-6439

BANCO EXTERIOR DE ESPANA, Spain

Room 1408, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413345
Telephones: 253-2263, 253-8977

BANCO HISPANO AMERICANO, Spain

Room 1301, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413302
Telephones: 253-8176, 253-2080

STATE BANK OF INDIA, India

Apt. 32, 4/17 Pokrovsky bul.
Telex: 413012
Telephone: 297-2153

BANK OF AMERICA NT & SA, the USA

Room 1605, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413189
Telephones: 253-7054, 253-1910, 253-1911

THE CHASE MANHATTAN BANK N.A., the USA

Room 1709, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413912
Telephones: 230-2174, 253-1496, 253-8377

WESTDEUTSCHE LANDESBANK, the FRG

Rooms 1207-1208, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413098
Telephones: 253-2048, 253-2054

OST-WEST HANDELSBANK AG, the FRG

Apt. 35, 5/6 Pushkinskaya ul.
Telex: 413955
Telephones: 292-4839, 292-7599

MONTE DEI PASCHI DI SIENA, Italy

Rooms 1105-1106a, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413092
Telephones: 253-2677, 253-2678

BANCO NATIONALE DEL LAVORO, Italy

Room 1602, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telex: 413500
Telephones: 253-1802, 153-1805

OKOBANK, Finland

Apt. 13a, 7 Dobryninskaya ul.
Telex: 413056
Telephones: 230-1386, 230-1387

POSTIPANKKI Finland
ПОСТИПАНККИ

Molochnij per. 9/14 kor. 3,
Moscow 119034

Tel.:201-27-14, 201-27-52,
201-38-83, 201-47-81.
Telex: 413018 PPK SU,
Telefax: 230-20-48

PK BANKEN Sweden
ПКБАНКЕН

Molochnij per. 9/14 kor. 3,
Moscow 119034

Tel.:201-27-14, 201-27-52,
201-38-83, 201-47-81.
Telex: 413018 PPK SU,
Telefax: 230-20-48

BANCO CENTRAL, Spain

Apt. 4, 1 Mytnaya ul.
Telex: 413042
Telephones: 230-0388, 230-0454

CREDITANSTALT-BANKVEREIN, Austria

Room 1109, 12 Krasnopresnenskaya nab.
The Moscow World Trade Centre
Telephones: 253-1478, 253-1479

JOINT CHAMBERS OF COMMERCE

The British-Soviet Chamber of Commerce

12 Krasnopresnenskaya Naberezhnaya, Moscow 123610, USSR
Telex: 413523 BRIZ
Telephone: 253-25-54

The Franco-Soviet Chamber of Commerce

4 Pokrovsky Boulevard, Apartment 3, Moscow 101000, USSR
Telex: 413326
Telephone: 208-93-51

The Italo-Soviet Chamber of Commerce

7 Vesnin Street, Moscow, USSR.
Telex: 413171
Telephone: 241-65-17, 241-62-17

The Finnish-Soviet Chamber of Commerce

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The World Trade Centre

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Beriozka department store No. 1
25a, Luzhnetsky Proyezd:
Ladies and gentlemen's clothers, fur and knitted articles, jewellery, perfumes, wines and liquors, confectionery, cigarettes and souvenirs.

Beriozka department store No. 2
9, Kutuzovsky Prospekt:
A wide choice of fur articles, carpets, knitted goods, jewellery, lacquered caskets, porcelain, and cut-glass.

Beriozka department store No. 3:
"Russia" hotel: furs, carpets, knitted goods, jewellery, porcelain, cut-glass, clocks and watches, perfumes, radios and photographic goods, souvenirs, wines and liquors, confectionery, cigarettes.

Beriozka shop at 16, Bolshaya Dorogomilovskaya St.:
A wide choice of perfumes of the world's leading firms, radios and cine-photographic goods, electric household appliances; a bar.

Shops and kiosks at hotels "National", "Metropol", "Leningradksaya", "Intourist", "Cosmos", "Orlyonok", "Ukraina", "Volga", "Soyuz", "Salyut", "Sport", "Molodezhnaya"; the "Mozhaisky" motel; Sheremetyevo-II, Vnukovo and Domodedovo Airports offer a wide choice of souvenirs, wines and liquors, confectionery and cigarettes.

MOSCOW HOTELS AND RESTAURANTS

The first hotels were opened in Moscow in the mid-18th century. By the beginning of the 20th century, Russia's second capital had 260 hotels and lodging houses. All of them were commercial enterprises run by private owners. In 1918, hotels were nationalised and turned over to local Soviets. Over the years of Soviet power, the Moscow hotel industry was completely reorganised. In the 1950s, a number of new comfortable hotels were built and old ones were reconstructed. In 1935, the *Moskva* Hotel was built. Large-scale hotel construction was launched in the 1950s and 1960s; at the time, several hotels in the vicinity of the USSR Economic Achievements Exhibition, the big skyscraper hotels *Ukraina* and *Leningradskaya* and the *Peking*, *Varshava* and *Minsk* hotels were built and the *Tsentralnaya*, *Novomoskovskaya* and *Budapesht* hotels were overhauled.

The *Rossiya* Hotel (1967) is one of the biggest hotels in Europe. This imposing building erected on the bank of the Moskva River is organically blended with the unique ensemble of the ancient Zaryadye district.

Quite a few first-rate hotels such as the *Cosmos*, the *Salyut*, the *Sevastopol*, the *Sport*, the *Molodyozhnaya*, and the *Central Tourist's House* were built in the 1980s.

Moscow has always been a hospitable city caring not only about providing accommodation for its guests, but also about nourishing them. The Muscovites' friendliness and solicitude, cosy hotels and excellent cuisine for which quite a few restaurants in Moscow are famous usually leave a pleasant impression on visitors coming to Moscow from various countries of the world.

There are many restaurants in Moscow where you may try various specialities of genuine Russian cuisine, which has long by right become part of international restaurant cuisine.

From olden times, characteristic of Russian diet were rye bread, salted, dried, baked and boiled fish, red caviar, variously cured and cooked mushrooms, and an abundance of vegetables, forest berries and spicy, aromatic herbs. Meat dishes such as boiled beef, ham, cold boiled pork and corned beef were part of the menu both at feasts and at ordinary meals, but not very often. In Orthodox Russia, the fasts of the church were strictly observed, and the annual number of days for a general fast was more than 200.

The food of fish and vegetables which constituted the lenten fare was distinguished by a great variety of dishes. This is explained by the desire to diversify the diet during periods of fasting. Hence the abundance of foods made with flour dough and batter such as kalachi (fancy loaves), bliny (thin pancakes), blinchiki (pancakes rolled with a filling), oladyi (raised flapjacks), pirogi (pies), pirozhki (small pastry turnovers with a filling), kulebyaki (a variety of pie), various types of rolls, etc.

Characteristic of the Russian table, particularly during the chief meal of the day is the presence of hot liquid food — various types of pottage, shchi (cabbage or sauerkraut soup), borshch, fish soup and other national varieties of soup such as solyanka (sharp-tasting thick soup of vegetables and meat or fish), rassolnik (pickled cucumber soup), etc. Originally tasting cold soups such as okroshka (soup of vegetables and meat with kvass) and svekolnik (cold beet soup) are in a class by themselves.

Most dishes of Russian cuisine were cooked in an oven in pots, on griddles and oven pans or directly on the hearthstone. Today dishes made to old recipes are still served in pots and on small griddles in quite a few of Moscow's restaurants, and bread baked on the hearthstone enjoys immense popularity.

Just as in the days of old, cured fish is very popular with the Muscovites — particularly so, balyk (cured fillet of sturgeon) and tyosha (smoked belly of sturgeon), although cured fish and black caviar were originally brought to the Russian table from the Orient.

In the 17th century, Russian cuisine was influenced by the Oriental — above all, Tatar — culinary art. At the time, a number of foods of unleavened dough such as noodles and pelmeni (meat dumpligs) became part of the Russian menu. It was also then that the habit of tea-drinking began developing in Russia; its spreading all over the country was prompted by the import of sugar, which was started in the second half of the 17th century.

In the reign of Peter the Great, West European culinary traditions were added to the national features of Russian cuisine. Foreign cooks began appearing in Russia. The cuisine of the classes in power developed under a marked French influence at the time. In the second half of the 19th century, however, the Russian national menu was restored to its rightful position in restaurant cuisine.

Today Moscow restaurants offer Muscovites and visitors to the capital a choice of European cuisine, Russian cuisine with a "European accent" and traditional Russian cuisine.

Alongside Russian and European cuisine, the culinary art of the Caucasus, Central Asia and other regions of the Soviet Union is widely represented at Moscow restaurants.

Here is some information about the best-known Moscow hotels and restaurants and the cuisine they serve.

Belgrade Hotel
5 Smolenskaya Pl.
Service bureau of Belgrade-1 248-7848
Belgrade-2 248-2657
Front desk: 248-6843
Restaurants: Belgrade-1 248-6661 (Building 1, 2nd floor)
Belgrade-1 248-5271 (Building 1, 3rd floor)
Belgrade-2 248-2657

The hotel has a banquet hall, a bar and an espresso cafe.

The restaurants serve Yugoslav and Russian cuisine.

Intourist Hotel
3/5 Ul. Gorkogo
Service bureau: 203-0097, 203-4008
Restaurants:
Golden Hall 203-1450
Skazka (Fairy Tale) 203-0150
Tourist hall 203-1158
Bars: Hunter, Tearoom, Traveller, espresso bar, and night bar.

The restaurants serve Russian, Ukrainian and Oriental cuisine.

Cosmos Hotel
150 Pr. Mira
Service bureau: 217-0892
Front desk: 217-0696
Information desk: 217-0785, 217-0786
Restaurants:
Lunny (Moonlit) 217-1192
Kalinka 217-0991
Dubrava (Oak Grove) 217-0495
Galaktika (Galaxy) 217-1386
Bars: Terrasa (Terrace), Orbita, Heineken Bar.

The restaurants serve Russian and European cuisine; there is a banquet hall.

The hotel has a bowling alley, a swimming pool, saunas, and an underground car park.

Mozhaiskaya Hotel and Campsite
165 Mozhaiskoye Shosse
Service bureau: 447-3435
Front desk: 447-3434
Restaurant and bar: 447-3294

The restaurant serves Russian and European cuisine

The hotel has a sauna.

National Hotel
14/1 Pr. Marksa
Service bureau: 203-6669
Front desk: 203-6539
Restaurant and bars: 203-5550

The restaurant serves Russian and European cuisine.

Bars: Oriental, espresso bar, ice-cream parlour, Heineken Bar.

Sevastopol Hotel
1a Bolshaya Yushunskaya Ul.
Service bureau and front desk:
Building 1 119-6450
Building 2 318-4963
Building 3 119-0567
Building 4 318-8370
Restaurants:
Building 1 318-6600
Building 2 318-6439
Building 3 318-6479
The restaurants serve Russian and European cuisine.

Solnechny Hotel and Campsite
21st km, Varshavskoye Shosse
Service bureau: 119-7097
Front desk: 119-8739
Restaurant: 119-7046
Espresso bar: 119-7048

The **Patskha** open-air restaurant features Georgian cuisine.

Rossiya Hotel
6 Ul. Razina
Service bureau: 298-1833, 298-1722
Front desk: 298-5410, 298-5343
Intourist desk: 298-1753
Information desk: 298-7901
Restaurant (21st floor): 298-4133

The restaurant serves Russian and European cuisine.

Ukraina Hotel
2/1 Kutuzovsky Prospekt
Service bureau: 243-3095, 243-2498
Front desk: 243-3020, 243-3021
Restaurant: 243-3011, 243-3677

The restaurant features Ukrainian cuisine.

Leningradskaya Hotel
21/40 Kalanchyovskaya Ul.
Service bureau: 928-3401, 208-5961
Front desk: 208-2032
Restaurant: 208-2027

The restaurant serves Russian and European cuisine.

Orlyonok Hotel
15 Ul. Kosygina
Service bureau: 139-8055
Information desk: 139-8844, 139-8845

The hotel has three restaurants serving Russian and European cuisine.

Salyut Tourist Complex
158 Leninsky Prospekt
Management: 438-3391
Information desk: 438-6565
Restaurant: 438-0165, 438-1981, 438-2065

The hotel has a big restaurant complex serving Russian and European cuisine and a variety theatre providing nightly entertainment.

Moscow World Trade Center (WTC)
12 Krasnopresnenskaya Naberezhnaya
V/O SOVINCENTR: 256-6303
Intourist desk: 253-2362

The **Mezhdunarodnaya** Hotel has a health club, a swimming pool, saunas, and an underground garage wtih a car-washing installation.

Restaurants:

Russky, featuring Russian national dishes and beverages.

Continental, serving traditional European cuisine.

Mercury, serving Russian and European cuisine; the restaurant has a floor show.

Sakura, featuring traditional Japanese dishes and beverages.

Bier-Stube, featuring finest brands of draft beer and German hors d'oeuvres and entrees.

All meals and beverages are to be paid for in hard currency.

Soyuz-1 Hotel
12 Levoberezhnaya Ul.
Information desk: 457-9004
Manager: 458-3240

The restaurant serves Russian and European cuisine.

Baku Restaurant Azerbaijani and Oriental cuisine.
24 Ul. Gorkogo 299-8506

Aragvi Restaurant Georgian and Oriental cuisine
6 Ul. Gorkogo 229-3762

Uzbekistan Restaurant
29 Neglinnaya Ul. 924-6053

Delhi Restaurant Indian cuisine
23b Krasnaya Presnya Ul. 252-1766

Peking Restaurant Chinese cuisine
5/1 Bolshaya Sadovaya Ul. 209-1865

Besides the above-mentioned, there are numerous other restaurants, cafes and bistros in Moscow where you will always be a welcome guest.

MOSCOW MUSEUMS

The history of museums in Russia goes back to the 16th-17th centuries when the first systematized collections of arms, jewellery and objects of household use made their appearance. The early 18th century and the activity of Peter the Great marked an important stage in the history of collecting.

From its early days, Moscow University played a prominent part in the origination and development of museums. In 1791, it founded Moscow's first museum, originally called the Natural History Room and later transformed into the Zoological Museum. The University also stood at the cradle of the State Museum of Fine Arts which emerged as the Fine Arts Room. The rich private collections of paintings added later turned it into one of the country's interesting museums.

In the early 1920s, the Geologo-Paleontological Museum came into being under the University auspices. The Museum of Agriculture was founded after the Great Patriotic War.

In the latter half of the 19th century, interesting art collections were owned mostly by art patronizing merchants rather than aristocrats. There were also artists and scientists among collection owners. Especially famed were the collections of the brothers Peter and Sergei Shchukin, I. Tsvetkov, the Morozov family of big industrialists, and the Botkin brothers. The collection of theatrical attributes and books amassed by A.A. Bakhrushin formed a large museum.

With the transfer of the Academy of Sciences from Leningrad to Moscow, some of the museums, offshoots of the Kunstkamer, were also moved to Moscow.

As a rule, Moscow museums were accommodated in buildings of unordinary architecture. Specially designed museum buildings began to appear in Moscow in the 19th century. One of the first was the old Armoury (1810). The latter half of the 19th and early 20th centuries saw the construction of Moscow's largest museums which, to this day, form the backbone of the Soviet museum system.

After the October Revolution all museums were nationalized and their doors were opened to the public at large. Collecting was put on a scientific footing. In those years, memorial museums devoted to prominent figures in Russian and Soviet art and science were opened.

At present Moscow has some 90 museums and branches preserving over 10 million exhibits.

We invite you to Moscow museums. Here are some of them:

Central Lenin Museum
2, Pl. Revoliutsii 924-45-29

Central Museum of the Revolution of the USSR
21 Ul. Gorkogo 299-09-74

K.Marx and F.Engels Museum
5 Ul. Marksa i Engelsa 203-01-04

Central Museum of the USSR Armed Forces
2 Ul. Sovetskoi Armii 281-18-80

Battle of Borodino Panorama Museum
38 Kutuzovksy Prospekt 148-19-27

Kutuzov's Hut. A branch of the Battle of Borodino Panorama Museum
39 Kutuzovsky Prospekt 148-53-32

State History Museum
1/2 Red Square 292-11-11

Branches:
Cathedral of the Intercession
(St. Basil's) 298-33-04

Trinity Church in Nikitniki
3 Nikitnikov Per. 298-50-18

Novodevichy Convent
1 Novodevichy Per. 246-58-62

16th-17th Century Apartments in Zaryadye
10 Ul. Razina 298-32-35

A.V. Shchusev State Scientific Research Museum of Architecture
5 Prosp. Kalinina 291-21-09

Branch: 1 Donskaya Pl. 232-02-21

State Armoury
Moscow Kremlin 221-47-20

Moscow Kremlin Cathedrals
Sobornaya Pl., Kremlin 221-47-20

Kolomenskoye Estate-Museum
39 Prosp. Andropova 112-03-42

Kuskovo Estate-Museum and Museum of Ceramics
2 Ul. Yunosti 370-01-60

Ostankino Palace and Museum of Serf Art
5 Pervaya Ostankinskaya Ul. 283-11-65

State Art Gallery of the USSR
10 Krymsky Val 231-13-62

V.M. Vasnetsov's House Museum
13 Per. Vasnetsova 281-13-29

Pushkin State Museum of Fine Arts
12 Ul. Volkhonka 203-95-78

State Museum of Oriental Art
12a Suvorovsky Bul. 202-45-55

Andrei Rublev Museum of Early Russian Art
10 Pl. Pryamikova 278-14-29

Branch: Church of the Intercession in Fili 148-45-52

State Literary Museum
28 Ul. Petrovka 221-38-57

F.M. Dostoyevsky's Apartment Museum
2 Ul. Dostoyevskogo 281-10-85

M.Yu. Lermontov's House Museum
2 Mal.Molchanovka Ul. 291-52-98

A.P. Chekhov's House Museum
6 Sadovaya-Kudrinskaya Ul. 291-61-54

A.M. Gorky's Apartment Museum
6/2 Ul. Kachalova 290-05-35

A.S. Pushkin State Museum
12/2 Kropotkinskaya Ul. 201-56-81

Branch: Pushkin's Apartment in Arbat 241-30-10

Lev Tolstoy's Estate Museum in Khamovniki
21 Ul. L. Tolstogo 246-61-12

N.A. Ostrovsky State Museum
14 Ul. Gorkogo 229-85-52

A.A. Bakhrushin State Central Theatrical Museum
31/12 Ul. Bakhrushina 235-37-87

K.S. Stanislavsky's House Museum
6 Ul. Stanislavskogo 229-28-55

M.I. Glinka State Central Museum of Musical Culture
4 Ul. Fadeyeva 972-32-37

Yu.A. Orlov Paleontological Museum
113 Profsoyuznaya Ul. 339-10-44

Zoological Museum of Lomonosov State University
6 Ul. Gertsena 203-89-23

Polytechnical Museum
3/4 Novaya Pl. 923-07-56

Cosmonautics Memorial Museum
Alleya Kosmonavtov 283-18-37

Academician S.P. Korolev Memorial Museum
2/28 Shestoi Ostankinsky Per. 283-81-97

Museum of the Lenin Moscow Metro
3 Khamovnichesky Val 222-73-09

MOSCOW THEATRES

The first theatrical performances in Moscow were folk pageants in streets and squares, with mountebanks acting simple plays and scenes in a satirical manner. In the late 16th and early 17th centuries episodes from the New Testament were acted at the Cathedral of the Assumption in the Moscow Kremlin. In 1672, Russia's first court theatre with a permanent troupe was arranged in the village of Preobrazhenskoye, Tsar Alexei's summer residence. For the winter season, a special building was fitted out in the Kremlin. At that theatre plays on scriptural themes were performed.

A general theatre was opened in 1702 in a building erected specially for it in Red Square. It was there that plays by Moliere, Calderon and other foreign authors translated into Russian were shown for the first time to the broad public. In 1757, a University theatre was formed at Moscow University. In several years, this amateur student company turned into a professional troupe to be named the Russian Theatre in 1760.

In 1776, entrepreneur M. Medox and Prince P.V. Urusov, a patron of arts, founded the first repertory public theatre in Moscow to which the famous Bolshoi Theatre traces its origin. The building for it was erected in Petrovka Street. The theatre staged ballets, operas and dramas. It was the first to stage D. Fonvizin's comedy "The Minor".

In 1824, merchant Vargin's house was reconstructed for the drama troupe and named the Maly Theatre. Here they staged Schiller's "Robbers", Shakespeare's "Hamlet", Griboyedov's "Woe from Wit", Gogol's "Inspector General" and many other plays by Russian and West European authors.

A new period in the history of the Maly Theatre began with the appearance in its repertoire in the 1850s of the plays by A.N. Ostrovsky, an author that enriched Russian theatrical art with a distinctly Russian vast and realistic repertoire.

In 1898, K.S. Stanislavsky and V.I. Nemirovich-Danchenko founded the Art Theatre which was destined to play an outstanding part in the development of Russian and world scenic art. K.S. Stanislavsky, this

great reformer of the theatre, evolved a system which formed the aesthetic basis of professional realistic theatrical art.

The Art Theatre ultimately crystallized out with the staging of A.P. Chekhov's plays "The Seagull" (1988), "Uncle Vanya" (1899), "Three Sisters" (1901) and "The Cherry Orchard" (1904), as well as M. Gorky's "The Lower Depths" and "The Philistines" (both staged in 1902).

In the beginning of the 20th century, there were several excellent theatrical companies in Moscow besides the Maly Theatre and the Art Theatre. These included Korsh's Theatre, the Chamber Theatre and Mardjanov's "Free" Theatre.

After the October 1917 Revolution scenic art made spectacular headway in Russia. Beside Stanislavsky and Nemirovich-Danchenko, such talented stage directors and prominent figures in theatrical life as V. Meyerkhold, Ye. Vakhtangov, A. Tairov, A. Popov and Ye. Lyubimov-Lanskoy were active. Stage productions of the 1920s and 1930s combined a forceful political thrust with psychologically profound, true-to-life and meaningful portrayals. The theatres began to stage plays by Soviet authors, notably, V. Mayakovsky's "Mysteria Buff", "The Bug" and "The Bath"; V. Bill-Belotserkovsky's "Storm"; K. Trenev's "Lyubov Yarovaya"; M. Bulgakov's "The Turbins Days"; Vs. Ivanov's "Armoured Train 14-69"; Vs. Vishnevsky's "Optimistic Tragedy", and A. Korneichuk's "The Peril of the Squadron".

From the middle to the end of the 1930s, plays by the authors of the next generation, among them, N. Pogodin's "Poem about the Axe", "My Friend" and "After the Ball", A. Arbuzov's "Tanya", A. Afinogenov's "Mashenka" and K. Simonov's "A Lad from Our Town" were included in the repertoire.

Simultaneously the Moscow theatres brilliantly performed Russian and Western classics — Beaumarchais' "The Marriage of Figaro", A.N. Ostrovsky's "The Ardent Heart", and stage adaptations of Leo Tolstoy's novels "Resurrection" and "Anna Karenina" (the Art Theatre); A.N. Ostrovsky's plays and Shakespeare's "Othello" (the Maly Theatre); Shakespeare's "The Taming of the Shrew" (the Central Soviet Army

Theatre); Shakespeare's "Much Ado about Nothing" (the Vakhtangov Theatre), and Goldoni's "Inn Keeper" (the Mossovet Theatre).

During the Great Patriotic War (1941-1945) many theatres were evacuated and their actors formed front-line theatres and concert brigades. The theatres staged plays permeated with lofty patriotism and passion of those days. Among them were K. Simonov's "Russian People", A. Korneichuk's "Front" and L. Leonov's "Invasion". In the years immediately following the victorious termination of the war, the Moscow theatres performed plays celebrating heroes of the past war. The production of the heroic and romantic "Young Guard" (based on A. Fadeyev's novel) by N.P. Okhlopkov at the Moscow Drama Theatre in 1947 was an outstanding event in theatrical life.

The best Moscow theatres kept step with the time, combining Western, Russian and Soviet classics with modern plays on topical themes and following the best traditions of Russian and Soviet scenic art.

New gifted dramatists came to the fore, among them V. Rozov, M. Shatrov, I. Drutse, A. Vampilov, and A. Gelman. Their plays are popular with the Moscow audiences.

We are calling the attention of the Soviet and foreign public to the most interesting productions of the Moscow theatres and invite all theatre-goers to come and see them. We have said a few words about the history of Moscow theatres. But to be able to judge about the heights scaled by scenic art, one will have to call at the theatre.

Below are the addresses and telephones of the Moscow theatres.

State Academic Bolshoi Theatre of the USSR
(founded in 1776)
Pl. Sverdlova 292-00-50
Kremlin Palace of Congresses
(Bolshoi Theatre productions)

State Academic Maly Theatre (founded in 1824)
Main stage: 1/6 Pl. Sverdlova 223-26-21

Branch: 69 Ul. Bol. Ordynka 237-31-81

Gorky Moscow Academic Art Theatre (founded in 1898)
Proyezd Khudozhestvennogo Teatra 229-87-60

Branch: 3 Ul. Moskvina 229-96-31

Stanislavsky and Nemirovich-Danchenko
Moscow Musical Theatre
17 Pushkinskaya Ul. 229-83-88

Moscow Operetta Theatre (founded in 1927)
6 Pushkinskaya Ul. 292-04-05

State Children's Musical Theatre
(founded in 1965)
5 Prosp. Vernadskogo 130-52-43

Romany Moscow Gypsy Theatre (founded in 1931)
32/2 Leningradsky Prospekt 250-73-34

Moscow Chamber Musical Theatre
(founded in 1972)
71 Leningradsky Prospekt 198-72-04

Vakhtangov State Academic Theatre
(founded in 1920)
26 Ul. Arbat 241-07-28

Mossovet State Academic Theatre
(founded in 1923)
16 Bol. Sadovaya Ul. (Aquarium Garden) 299-20-35

Branch: 2 Frunzensky Val 242-17-07

Stanislavsky Moscow Drama Theatre
23 Ul. Gorkogo 299-72-24

Mayakovsky Moscow Academic Theatre
(founded in 1922)
19 Ul. Gertsena 290-46-58

Branch: 21 Ul. Khmeleva 925-30-70

Leninsky Komsomol Moscow Theatre
(founded in 1927)
6 Ul. Chekhova 299-96-68

Yermolova Moscow Theatre
(founded in 1925)
5 Ul. Gorkogo 203-90-63

Moscow Satire Theatre (founded in 1924)
18 Bol. Sadovaya Ul. 299-99-15

Pushkin Moscow Drama Theatre (founded in 1950)
23 Tverskoy Bulv. 203-85-82

Moscow Drama Theatre in Malaya Bronnaya
(founded in 1946)
2 Mal. Bronnaya Ul. 290-40-93

Moscow Drama and Comedy Theatre in Taganka
(founded in 1964)
76 Ul. Chkalova 272-63-00

Sovremennik Moscow Theatre (founded in 1957)
19a Chistoprudny Bul. 221-64-73

Gogol Moscow Drama Theatre
8a Ul. Kazakova 261-55-28

Central Academic Soviet Army Theatre
Pl. Communy 281-51-20

Moscow Novy Drama Theatre (founded in 1976)
2 Ul. Prokhodchikov 182-19-77

Moscow Miniature Theatre (founded in 1959)
3 Karetny Ryad(Hermitage Garden) 209-67-42

Film Actor Theatre Studio (founded in 1940)
33 Ul. Vorovskogo 290-55-24

Moscow Theatre of Mime and Gesture
(founded in 1963)
39/41 Izmailovsky Bul. 163-81-30

State Central Children's Theatre
(founded in 1921)
2/7 Pl. Sverdlova 292-00-69

State Academic Central Puppet Theatre
directed by S.V. Obraztsov, People's Artist of the USSR
(founded in 1931)
3 Sadovaya-Samotechnaya Ul. 299-33-10

Moscow Young Spectator's Theatre
(founded in 1924)
10 Per. Sadovskikh 299-53-60

Moscow Puppet Theatre (founded in 1930)
26 Spartakovskaya Ul. 261-21-97

Durov Animal Theatre (founded in 1938)
4 Ul. Durova 281-71-22

CONCERT HALLS

Hall of Columns of the House of Soviets of the AUCTU
1/6 Pushkinskaya Ul. 292-66-92

Tchaikovsky Concert Hall
4/31 Pl. Mayakovskogo 299-36-81

State Central Concert Hall
1 Moskvoretskaya Nab. 298-11-24

Krasnoznamenny and Concert Halls
of the M.V. Frunze Central Soviet Army House
2 Pl. Communy 281-55-50

Variety Theatre
20/2 Bersenevskaya Nab. 230-04-44

Concert Hall of the Scientists' House
16 Kropotkinskaya Ul. 202-54-55

Concert Hall of the Lenin All-Union Library
3 Prosp. Kalinina 222-83-73

Concert Hall of the Gnesins Music Teachers' Institute
30/36 Ul. Vorovskogo 290-67-37

Theatre and Concert Hall in the Olympic Village
Olympic Village, Ul. Pelshe 437-56-50

Concert Hall of the Central Tourist House
146 Leninsky Prospekt 434-94-92

Concert Hall of the Izmailovo Tourist Complex
71 Izmailovskoye Shosse 166-68-55

State Circus on Lenin Hills
7 Prosp. Vernadskogo 130-28-15

STADIUMS, SPORTS FACILITIES, PARKS

Lenin Central Stadium Luzhniki 201-09-55
246-55-15

Dynamo Central Stadium
36 Leningradsky Prospekt 212-70-92

Locomotive Central Stadium
125a Bol. Cherkizovskaya Ul. 161-42-83

Dynamo Water Stadium
39 Leningradskoye Shosse 156-34-18

Krylya Sovetov Stadium
10 Ul. Tolbukhina 449-60-02

Stadium of Moscow State University
Moscow State University, Lenin Hills 139-10-00

Stadium of the Olympic Village Sports Complex
2 Ul. Pelshe 437-47-66

Universal Covered Stadium of the Olympiysky Sports Complex
16 Olympiysky Prospekt 288-51-18

Moscow Olympic Aquatic Sports Centre
27 Mironovskaya Ul. 369-98-03

Moskva Swimming Pool
37 Kropotkinskaya Nab. 202-47-25

Olimpiysky Sports Complex Swimming Pool
16 Olympiysky Prospekt 288-13-33

Krylatskoye Olympic Centre
2 Krylatskaya Ul. 140-03-47

Moscow Horse Races
22 Begovaya Ul. 256-45-16

Equestrian Sports Centre
12 Dmitrovskoye Shosse 216-08-82

Urozhai Central Equestrian Sports Club
11 Poperechny Prosek 268-47-36

M. Gorky Central Recreation Park
9 Krymsky Val 237-09-64

Izmailovo Recreation Park
17 Narodny Prospekt 166-79-09

Kuskovo Park
40 Tretya Muzeinaya Ul. 370-07-50

Sokolniki Recreation Park
1 Sokolnichesky Val 268-60-11

Fili Recreation Park
22 Bol. Filevskaya Ul. 142-27-95

Bitsevsky Forest Park
143 Varshavskoye Shosse 381-46-93

INFORMATION SERVICES AND EMERGENCY CALL SERVICES

Intourist inquiry desk 9:00 to 21.00
(in Russian, English, French
and German) 203-69-62
Inquiry desk of the World Trade Centre 8:30 to 21:00
(in Russian, English, French and
German) 255-64-01,
253-77-08

Portier service of Mezhdunarodnaya Hotel at the World Trade Centre, round the clock
(in Russian, English and French) 255-63-22

Inquiry desk of the Administration for Services to the Diplomatic Corps (UPDK), round the clock 201-23-26

Inquiry desks of Aeroflot
— on current departure and arrival on all international and domestic lines 155-09-22
— on all questions of international passenger and cargo transportation by Aeroflot flights and foreign airlines, 9:00 to 21:00
(in Russian, English and French) 156-80-02
— on lost luggage 578-82-12
578-56-33

Information on personal effects lost
in a taxi 233-42-25
in the underground (metro) 222-20-85
in a tram, trolleybus, bus 233-00 -18,
ext. 139

Special and Emergency Calls

(no coin needed to dial the following numbers on an automatic phone)
Fire alert 01
Militia 02
First and emergency aid 03
Gas leakage 04
City information 05
International telephone exchange 07
Information by phone 09

ANNEXES

DEAR READERS,

In the process of radically restructuring the management of Soviet foreign economic activities, new normative legal acts are put into effect, and new government departments and organizations set up.

The main normative legal acts regulating the activities of joint ventures on Soviet territory had been published before some changes were made in the structure of management of foreign economic activities. These documents have not changed in essence and continue to be in force. It should be borne in mind, however, that the Ministry of Foreign Economic Relations of the USSR has been formed by amalgamating the Ministry of Foreign Trade of the USSR with the State Committee of the USSR for Foreign Economic Relations. In the documents of the Annex, therefore, the former bodies be interpreted as the Ministry of Foreign Economic Relations. Besides, it should be remembered that the Bank for Foreign Trade of the USSR has been abolished, and the Bank for Foreign Economic Affairs set up in its place is its successor under a special government act.

ON MEASURES AIMED AT IMPROVING MANAGEMENT OF FOREIGN ECONOMIC RELATIONS

Decision of the Central Committee of the CPSU and the Council of Ministers of the USSR No. 991 of August 19, 1986

(Excerpts)

In line with the decisions of the 27th Congress of the Communist Party, the Central Committee of the CPSU and the Council of Ministers of the USSR deem it necessary to carry out measures aimed at radically restructuring the management system, improving the planning, and creating a workable economic mechanism in the field of foreign economic relations. These measures are conceived as part and parcel of all the work towards more effective management of the national economy. While maintaining and strengthening the principle of state monopoly of foreign economic activities., it is imperative that ministries, government departments, enterprises, associations and organizations enjoy broader rights and undertake greater responsibilities in the field of foreign economic relations, gain access to foreign markets, and become more interested in promoting international cooperation and speedily introducing the latest achievements in science and technology so as to make their foreign economic activities more effective. The state attaches great political importance to smooth and effective operation of all organizations involved in foreign economic activities, which are called upon to play a greater role in accelerating the social and economic progress of the USSR.

The Central Committee of the CPSU and the Council of Ministers of the USSR resolve as follows:

1. In order to improve the management of foreign economic activities and better coordinate the work of ministries, government departments and organizations maintaining trade, economic, financial, scientific and technological relations with other countries, a State Commission for Foreign Economic Relations shall be set up under the Council of Ministers of the USSR as a permanent body of the Council of Ministers of the USSR.

2. The State Commission for Foreign Economic Relations of the Council of Ministers of the USSR shall supervise the work of the following organizations:

— the Ministry of Foreign Trade of the USSR;

— the USSR State Committee for Foreign Economic Relations;

— the USSR State Committee for Foreign Tourism;

— the Bank for Foreign Trade of the USSR;

— the Main Administration for State Customs Inspection under the Council of Ministers of the USSR;

— all ministries and government departments (in what concerns their foreign economic relations); the Soviet members of intergovernmental commissions for scientific and technical cooperation with other countries.

3. The State Commission for Foreign Economic Relations of the Council of Ministers of the USSR shall be charged with:

— working out new concepts and proposals related to foreign economic relations and their development, including the broadening of such relations with individual regions and countries;

— carrying out measures aimed at radically improving the foreign economic activities and further promoting trade, economic, financial, scientific and technological ties with other countries with a view to boosting the social and economic advancement of the USSR;

— boosting and promoting in every way the economic integration with the countries of the socialist community; strengthening the position of the USSR in the world economy;

— ensuring active participation of ministries, government departments, enterprises and associations in foreign trade and international cooperation in production, science and technology; developing advanced forms of foreign economic relations;

— further improving the planning, stimulation and control of foreign economic relations; ensuring large-scale application of economic methods of management, especially in introducing new forms of foreign economic relations;

— working jointly with other permanent bodies of the Council of Ministers of the USSR, as well as ministries and government departments towards radical changes in the structure of exports and imports of commodities and services and towards a greater export potential of the USSR;

— coordinating and supervising the work of ministries and government departments towards the fulfilment of the tasks set by the Comprehensive Programme for Scientific and Technological Progress of the CMEA Countries till the Year 2000;

— seeing to it that Soviet organizations meet their economic obligations to other countries; ensuring strict fulfilment of economic tasks set by the state.

4. The State Commission for Foreign Economic Relations of the Council of Ministers of the USSR shall:

— consider drafts of long-range and current plans for maintaining and promoting foreign economic relations; seeing to it that said plans are in compliance with the government strategy of developing foreign economic relations;

— carry out periodic checks of foreign economic activities of all ministries and government departments; hear reports of ministries and government departments on the fulfilment of decisions of the Central Committee of the CPSU and the Council of Ministers of the USSR, as well as state plans concerned with foreign economic activities;

— make decisions in regard to granting enterprises, associations and organizations the right to conduct independent export and import operations;

— make decisions within the terms of its reference, established by the Council of Ministers of the USSR, which are issued in the form of the latter's orders.

11. In order to ensure active participation of enterprises, associations and organizations in foreign economic activities and enable them to establish direct ties with enterprises and organizations of other CMEA countries, specify the terms of cooperation and independently solve problems related to cooperation in science and technology, including the signing of agreements and contracts for deliveries of products and rendering services with a view to expanding production and cooperation, a number of ministries and government departments of the USSR and the Union Republics, as well as a number of associations and enterprises shall be granted the right to conduct independent export and import operations, including exports to and imports from capitalist and developing countries.

12. Heads of ministries and government departments shall be responsible for the development and effectiveness of foreign economic relations, as well as the quality and technoloigcal standards of exported products.

Now that ministries, government departments, enterprises, associations and organizations have been charged with foreign economic activity functions, the Ministry of Foreign Trade of the USSR and the USSR State Committee for Foreign Economic Relations shall ensure the protection of the Soviet Union's interests on foreign markets.

13. The Ministry of Foreign Trade of the USSR shall continue to perform its functions of trading in fuel, raw materials, foodstuffs, machinery and equipment (with the exception

of machinery and equipment handled by other organizations), and other essential commodities.

The USSR State Committee for Foreign Economic Relations shall be in charge of all matters related to construction projects outside the USSR and construction projects carried out with the participation of foreign companies and organizations inside the USSR; it shall also be in charge of deliveries of complete sets of equipment for said projects.

15. ... Beginning with the year 1987, the planned performance indicators which are used to evaluate the results of the economic activities of ministries, government departments, enterprises, associations and organizations having access to foreign markets shall include profit targets in foreign currency, including those in freely convertible currency.

17. The ministries and government departments of the USSR and the Councils of Ministers of the Union Republics, enterprises and associations shall be obliged to include a special section on foreign economic relations into their plans for economic and social development.

19. In order to promote and consolidate the principles of profit and loss, self-recoupment and self-financing in the area of export and import operations, the system of orders shall be replaced by that of contractual relations, based on profit-and-loss accounting.

Enterprises, associations and organizations without access to foreign markets shall have the right, in concluding export agreements with foreign trade associations of the Ministry of Foreign Trade of the USSR and other ministries and government departments, to specify the best possible terms of sale so as to ensure maximum profits in foreign currency.

For acting as mediators in export and import operations, foreign trade associations shall receive commissions in an amount proportional to the scope of export and import operations.

21. To become more independent economically and more interested in expanding their exports and in modernizing their production facilities enterprises, associations and organizations shall form foreign currency funds for financing export and import operations.

Foreign currency funds shall be formed on the basis of stable allocations accruing from exports of products and services; added to these funds shall be all receipts accruing from deliveries under cooperation agreements.

Ministries and government departments of the USSR and the Councils of Ministers of the Union Republics shall be allowed to centralize up to 10 per cent of foreign currency funds of enterprises, associations and organizations. The remaining part of those funds shall not be taken away from enterprises, associatons and organizations by higher bodies; no limitations shall be put on the spending of that part.

The centralized foreign currency funds of ministries and government departments of the USSR, and of the Councils of Ministers of the Union Republics shall serve to finance export and import operations conducted by enterprises, associations and organizations, and augment their export potential.

22. Ministries, government departments, enterprises, associations and organizations shall pay for imports of machinery, equipment and materials intended for modernization and reconstruction of production, as well as research and development with their own or borrowed foreign currency.

Ministries, government departments, enterprises, associations and organizations shall make the above purchases either independently or through foreign trade associations. In the latter case the purchases shall be given top priority and their monetary value shall be added to import quotas of foreign trade associations.

Heads of ministries, government departments, enterprises, associations and organizations shall be personally responsible for rational and effective use of foreign currency with the purpose of expanding and updating production.

23. The Foreign Trade Bank of the USSR shall be allowed to grant credits in foreign currency to enterprises, associations and organizations for a period of up to 4 years so as to enable them to establish and expand facilities for the manufacture of export products; payments shall be made with foreign currency accruing from exports.

24. Enterprises, associations and organizations shall be held responsible for a failure to reach export targets or meet their contractual obligations; they shall compensate for damages thus inflicted by payments in foreign currency drawn from their foreign currency funds.

DECREE
OF THE PRESIDIUM
OF THE SUPREME SOVIET
OF THE USSR

ON QUESTIONS RELATED TO THE SETTING UP AND OPERATION ON SOVIET TERRITORY OF JOINT VENTURES, INTERNATIONAL ASSOCIATIONS AND ORGANIZATIONS WITH THE PARTICIPATION OF SOVIET AND FOREIGN ORGANIZATIONS, FIRMS AND MANAGEMENT BODIES

The Presidium of the Supreme Soviet of the USSR hereby decrees:

1. Profits made by joint ventures set up on the territory of the USSR with the participation of Soviet and foreign organizations, firms and management bodies shall be taxed in an amount and according to a procedure defined by the Council of Ministers of the USSR. The sums paid in taxes shall be transferred to the state budget of the USSR.

Joint ventures shall be exempt from the tax on their profits during the initial two years of their operation.

The Ministry of Finance of the USSR shall have the right to cut down tax payments or completely exempt individual organizations from taxes.

2. Overdue tax payments shall be recovered in accordance with the procedure established for foreign legal entities by the Rules for the Recovery of Overdue Taxes and Non-tax Payments, endorsed by the Decree of the Presidium of the Supreme Soviet of the USSR of January 26, 1981 (see Gazette of the USSR Supreme Soviet, 1981, No. 5, item 122).

3. If transferred abroad, the part of the profit due to the foreign partner in a joint venture shall be taxed in an amount determined by the Council of Ministers of the USSR unless a different arrangement is stipulated by an agreement between the USSR and the foreign partner's country.

4. Land, its subsoil, water and forests may be made available to joint ventures either for payment or free of charge.

5. Disputes of joint ventures and international associations and organizations with Soviet state, cooperative and other social organizations, disputes between them, and disputes between participants in a joint venture, international association or organization over matters related to their operation shall be settled either by Soviet courts of law, or if so agreed by the parties, by an arbitration court; in special cases stipulated by Soviet legislation, disputes of this nature shall be settled by state arbitration bodies.

For this purpose, the words "and organizations" in Article 9 of the Law of the USSR "On State Arbitration in the USSR" of November 30, 1979 shall henceforth be followed by the words "joint ventures, international associations and organizations of the USSR and other CMEA countries".

A. GROMYKO,
Chairman of the Presidium
of the Supreme Soviet of the USSR

T. MENTESHASHVILI,
Secretary of the Presidium
of the Supreme Soviet of the USSR

Moscow, Kremlin
January 13, 1987

DECISION
OF THE COUNCIL OF MINISTERS
OF THE USSR

ON THE PROCEDURE FOR SETTING UP ON SOVIET TERRITORY AND THE OPERATION OF JOINT VENTURES, INTERNATIONAL ASSOCIATIONS AND ORGANIZATIONS OF THE USSR AND OTHER CMEA MEMBER COUNTRIES

No. 48 of January 13, 1987

(excerpts)

For the purpose of deepening socialist economic integration, uniting more closely the scientific, technological and production potentials of the countries of the socialist community, the Council of Ministers resolves:

1. The standing bodies of the Council of Ministers of the USSR, the ministries and government departments of the USSR, and the Councils of Ministers of the Union Republics shall organize on a broad scale the work of the setting up in the Soviet Union of joint ventures, international associations and organizations of the USSR and other CMEA member-countries (further referred to as "joint ventures, international associations and organizations").

I. The Principal Aims and the Procedure for Setting up Joint Ventures, International Associations and Organizations

2. Joints ventures shall be set up to pursue production, scientific-production, scientific-technical and other economic activities in the fields of industry, science, agriculture, construction, trade, transport and in other fields of the national economy.

Joint ventures (industrial enterprises, trade firms, commissioning and service organizations) shall pursue their business activity on their own behalf on the basis of common socialist property in the interests of the partners in a joint venture.

International associations shall be set up to coordinate production, scientific-production and other economic activities pursued by their partners in the fields of industry, science, agriculture, construction, trade, transport, and in other fields of the national economy.

International associations shall be founded on the principles of preserving the national ownership of the partners' property and shall pursue their activities on the basis of the coordinated plans of their partners and the common plans of international associations. If necessary, the partners may partly unite their property to perform their economic operations. To perform scientific investigations, research and development or other operations in the interests of the partners on the basis of common socialist property, joint organizations (scientific, research and development, and others), may be established.

3. ... Joint ventures, international associations and organizations shall be guided in their activities by the Decree of the Presidium of the Supreme Soviet of the USSR of May 26, 1983 "On the Procedure of the Performance of Operations on Soviet Territory by Joint Economic Organizations of the USSR and Other CMEA Member-Countries" (Gazette of the USSR Supreme Soviet, 1983, No. 22, Item 330), the Decree of the Presidium of the Supreme Soviet of the USSR of January 13, 1987 "On Questions Related to the Setting Up and Operation on Soviet Territory of Joint Ventures, International Associations and Organizations with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies"[1] , the present Decision and other statutory acts of the USSR and the Union Republics with the exceptions laid down by interstate and intergovernmental agreements of the USSR.

4. Proposals for setting up joint ventures, international associations and organizations along with the drafts of the agreement and charter (futher referred to as "constituent instruments") and, in case of establishing joint ventures, also with the results of their feasibility studies shall be submitted by the organizations concerned to the ministries and government departments whose system they are part thereof.

Proposals shall be coordinated by the said ministries and government departments of the USSR and the Councils of Ministers of the Union Republics with the State Planning Committee of the USSR, the Ministry of Finance of the USSR and other ministries and government departments concerned.

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[1] See Gazette of the USSR Supreme Soviet, 1987, No. 2, Item 35.

II. The Partners, Property and Rights of Joint Ventures, International Associations and Organizations

6. The partners in a joint venture, an international association or organization may be one or several Soviet enterprises (associations and other organizations) which have the status of a juridical person and one or several organizations of other CMEA member-countries which have the status of a juridical person.

III. The Procedure for the Activities of Joint Ventures, International Associations and Organizations

18. A joint venture, an international association and organization shall independently draw up and approve the plans of their economic activities. The government bodies of the USSR shall not lay down obligatory planned assignments for them.

21. Unless a different procedure is stipulated in interstate or intergovernmental agreements of the USSR, joint ventures, international associations and organizations shall keep their money resources in transferable roubles and foreign currency on their accounts with the Bank for Foreign Trade of the USSR, the International Bank for Economic Cooperation, and the International Investment Bank and shall effect settlements in transferable roubles or in foreign currency through the Bank for Foreign Trade of the USSR and the International Bank for Economic Cooperation.

22. The procedure and terms of the conversion of currencies in connection with the operations of joint ventures, international associations and organizations shall be determined by the Ministry of Finance of the USSR on agreement with the competent bodies of the countries concerned.

IV. The Specific Features of the Activities of Joint Ventures

27. The size of the registered fund of a joint venture, the size of the shares of the partners and the order of forming the registered fund (in foreign currency in particular), shall be determined by the constituent instruments.

The registered fund of a joint venture shall be formed from the contribution of the partners. It may be supplemented with profit returns from the economic activity of the joint venture

and, when necessary, also with additional contributions of its partners.

Contributions to the registered fund of a joint venture may include buildings, structures, equipment and other material values, rights of using land, water and other natural resources, buildings, structures, equipment, as well as other property rights (including rights of using inventions and know-how), money resources in the currencies of the participating countries, in transferable roubles and convertible currency.

The contributions of the partners to the registered fund of a joint venture shall be evaluated in roubles at foreign trade prices fixed on the basis of the provisions effective within the CMEA framework. In the absence of information on such prices the value of the contributed property shall be estimated by agreement between the partners.

30. Material and technical supply of joint ventures and marketing of their products shall be carried out as a matter of priority through the wholesale trade network or through the supply system of the relevant branch of the Soviet economy, or through the relevant Soviet foreign trade organizations.

Joint ventures included into the material and technical supply system of the USSR shall receive and market goods and services in the USSR at wholesale or contractual prices in accordance with the procedure established in the USSR.

In case joint ventures are supplied through foreign trade organizations of the USSR, they receive and market goods and services at foreign trade prices.

The concrete forms of material and technical supply of joint ventures and the procedure for marketing their goods and services shall be laid down in the constituent instruments.

33. In implementing export and import operations connected with their activities, joint ventures shall be entitled to coordinate prices of their products and conclude contracts with payment for imports from their own or borrowed currency resources.

The said contracts may also be concluded by foreign trade organizations on the basis of an agreement between them and joint ventures.

34. The State Bank of the USSR and the Bank for Financing Capital Investments (Stroibank) of the USSR shall be empowered to establish, if necessary, a special procedure for submitting requests for credits and giving creadits to joint ventures, having in mind the provision to them of no less favourable conditions than to the corresponding Soviet state organizations.

Joint ventures may, if necessary, take advantage of credit obtained on commercial terms in transferable roubles and in foreign currency from the Bank for Foreign Trade of the USSR, the International Investment Bank and the International Bank for Economic Cooperation, or, with the consent of the Bank for Foreign Trade of the USSR, from foreign banks or firms.

54. International associations and organizations shall be entitled, in performing export and import operations connected with their activities, to coordinate prices of cooperating products and conclude contracts with payment for imports from their own or borrowed currency resources.

Contracts for mutual deliveries of cooperating products within the framework of international associations and organizations shall be concluded by their partners.

55. International associations and organizations shall be entitled to coordinate prices and conclude on their behalf contracts for the import of licences, know-how, materials, samples, technological equipment and other goods and services required for the performance of their activities.

Joint ventures shall also be entitled to coordinate prices and conclude on their behalf contracts for the export of research and development products.

The said contracts may also be concluded by foreign trade organizations on the basis of contracts between them and iternational associations or organizations.

* * *

64. The present Decision shall also be applied when establishing on Soviet territory of joint ventures, international associations and organizations with socialist countries which are not members of CMEA. The specific features of its application shall be determined by the State Foreign Economic Commission of the Council of Ministers of the USSR and, whenever necessary, the relevant proposals shall be submitted to the Council of Ministers of the USSR.

DECISION
OF THE COUNCIL OF MINISTERS
OF THE USSR

ON THE ESTABLISHMENT ON SOVIET TERRITORY AND THE FUNCTIONING OF JOINT VENTURES WITH THE PARTICIPATION OF SOVIET ORGANIZATIONS AND FIRMS FROM CAPITALIST AND DEVELOPING COUNTRIES

In order to further the trade, economic, scientific and technical cooperation with capitalist and developing countries on a stable and mutually beneficial basis, the Council of Ministers of the USSR hereby resolves the following:

I. General Principles

1. Joint ventures with the participation of Soviet organizations and firms from capitalist and developing countries (referred to hereinafter as "joint ventures") shall be established on Soviet territory with a permission of the Council of Ministers of the USSR and on the basis of agreements concluded by partners therein.

Joint ventures shall be governed in their activities by the Decree of the Presidium of the Supreme Soviet of the USSR of January 13, 1987, "On Questions Related to the Setting Up and Operation on Soviet Territory of Joint Ventures, International Associations and Organizations with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies"[1] by the present Decision, and by other legislative acts of the USSR and the Union Republics with exceptions specified by interstate and intergovernmental agreements to which the USSR is a signatory.

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[1] See: Gazette of the USSR Supreme Soviet, 1987, No. 2, item 35.

2. Proposals in regard to the establishment of joint ventures, the results of feasibility studies, and drafts of constituent instruments shall be submitted by Soviet organizations concerned to ministries and government departments under which they operate. Ministries and government departments of the Union Republics shall submit such proposals to the Councils of Ministers of their Union Republics.

The said ministries and government departments of the USSR and the Councils of Ministers of the Union Republics shall finalize the proposals with the State Planning Committee of the USSR, the Ministry of Finance of the USSR and other ministries and government departments concerned.

Finalized proposals for the establishment of joint ventures shall be submitted to the Council of Ministers of the USSR.

3. The Ministries and government departments in which Soviet partners in joint ventures are incorporated shall establish joint ventures with a view to satisfying more fully the country's requirements for certain types of manufactured products, raw materials and foodstuffs, making advanced foreign equipment and technologies, managerial experience and additional material and financial resources available to the Soviet economy expanding the range of the country's export products, and curtailing superfluous imports.

II. Partners in, and Property and Rights of Joint Ventures

4. Partners in a joint venture may be one or more Soviet enterprises (associations and other organizations) which are legal entities, and one or more foreign firms (companies, corporations and other organizations) which are legal entities.

5. The share of the Soviet partner or partners in the registered fund of a joint venture shall not be less than 51 per cent.

6. Joint ventures shall be legal entities according to the Soviet law. They may, in their own name, conclude agreements, acquire property and personal non-property rights, undertake obligations, and appear as plaintiffs or defendants before the court of law and the arbitration court. Joint ventures shall have their own balance-sheets and operate on the basis of complete profit-and-loss accounting, self-recoupment and self-financing.

7. A joint venture shall have a charter endorsed by the partners. The charter shall specify the nature of the joint venture, the objectives of its operation, its location, the list of the partners, the amount of the registered fund, the shares of the partners in this fund, the procedure for raising the registered fund (including sums in foreign currency), the structure, composition and competence of the venture's management bodies, the decision-making procedure, the range of issues to be settled by a unanimous vote, and the joint venture liquidation procedure. The charter may incorporate other provisions related to the specifics of the joint venture unless these run counter to the Soviet law.

8. The term of operation of a joint venture shall be specified by the partners in an agreement on the establishment of the venture or in the venture's charter (referred to hereinafter as "constituent instruments").

9. As constituent instruments come into force, joint ventures established on Soviet territory shall be registered with the Ministry of Finance of the USSR and shall acquire the rights of a legal entity at the moment of registration. Notifications of the establishment of joint ventures shall be published in the press.

10. The registered fund of a joint venture shall be composed of contributions made by the partners. It may be built up by using profits accruing from the operation of the joint venture and, if necessary, by adding to it fresh contributions of the partners.

11. Contributions to the registered fund of a joint venture may include buildings, structures, equipment and other material values, rights to the use of land, water and other natural resources, as well as buildings, structures and equipment, other proprietary rights (including those to the use of inventions and know-how), and sums of money in the currencies of the partners' countries and in freely convertible currencies.

12. The contribution of a Soviet partner to the registered fund of a joint venture shall be evaluated in roubles with reference to contract prices and with due regard for world market prices. The contribution of a foreign partner shall be evaluated in the same manner, with the monetary value of the contribution being converted to roubles according to the official exchange rate of the State Bank of the USSR on the date of signing the joint venture agreement or any other date agreed upon by the partners. In the absence of information on the current world market prices, the monetary value worth of each contribution shall be agreed upon by the partners.

13. Equipment, materials and other property brought to the USSR by foreign partners in a joint venture as their contribution to the registered fund of the venture shall be exempt from custom duties.

14. The property of a joint venture shall be subject to obligatory insurance with insurance agencies of the USSR.

15. Under the Soviet law, a joint venture shall be entitled to own, use and dispose of its property in accordance with the objectives of its operation and the purpose of the property. The property of a joint venture shall not be requisitioned or confiscated under the administrative rules of procedure.

The proprietary rights of a joint venture shall be protected in accordance with Soviet legislation applicable to state-run Soviet organizations. Claims to the property of joint ventures may be made by a decision of government bodies alone, which are authorized, according to the Soviet law, to settle disputes involving joint ventures.

16. Partners in a joint venture shall have the right to transfer, by common consent, their shares in the joint venture fully or partially to third parties. In each particular case the transfer of a share shall be effected with a permission of the State Foreign Economic Commission of the Council of Ministers of the USSR. Soviet partners shall enjoy the priority right in buying shares of their foreign partners.

If a joint venture is reorganized, its rights and obligations shall be transferred to its successors.

17. The rights to industrial property belonging to joint ventures shall be protected by the Soviet law, including protection in the form of patents. The procedure for the transfer of rights to industrial property by partners in a joint venture to the said joint venture and by the joint venture to partners therein, as well as for commercial uses of those rights and their protection abroad shall be defined by the constituent instruments.

18. A joint venture shall be liable for its obligations with all of its property.

The Soviet state and the partners in a joint venture shall not be liable for its obligations, while the joint venture shall not be liable for the obligations of the Soviet state and its own partners.

Branches of joint ventures established on Soviet territory, which are legal entities, shall not be liable for the obligations of the joint ventures, while joint ventures shall not be liable for the obligations of their branches.

19. Joint ventures established on Soviet territory may set up branches and representations if their constituent instruments stipulate their right to do so.

Branches of joint ventures set up with the participation of Soviet organizations in other countries shall be established on Soviet territory in accordance with the regulations which apply to the establishment of joint ventures.

20. According to the Soviet law, disputes between a joint venture and Soviet state, cooperative and other social organizations, disputes between joint ventures, and disputes between partners in a joint venture over matters related to the operation of the joint venture shall be settled either by Soviet courts or, with mutual consent of both parties, by a court of arbitration.

III. Operation of Joint Ventures

21. The highest body of a joint venture shall be a Board of Governors consisting of persons appointed by the partners. Its decision-taking procedure shall be defined by the constituent instruments.

The routine operation of the joint venture shall be managed by a Board of Directors consisting of Soviet citizens and foreign nationls.

The Chairman of the Board of Governors and the General Director shall be Soviet citizens.

22. A joint venture shall establish contacts with central government bodies of the USSR and the Union Republics through organs superior to the Soviet partners in the joint venture. Its contacts with local government bodies and other Soviet organizations shall be direct.

23. A joint venture shall be independent in working out and endorsing its operational programmes. Government bodies of the USSR shall not give any obligatory production assignments to a joint venture, nor shall they guarantee sales of its products.

24. A joint venture shall be granted the right to conduct independent export and import operations necessary for its economic activities, including export and import operations on the markets of the CMEA member countries.

Said export and import operations may also be conducted through Soviet foreign trade organizations or distribution networks of foreign partners on the basis of appropriate contracts.

A joint venture shall bring commodities and other property to, and take them from, the USSR with permissions granted in accordance with the Soviet law.

A joint venture shall have the right to maintain correspondence, as well as telegraph, teletype and telephone communications with organizations in other countries.

25. All foreign currency expenditures of a joint venture, including payments of profits and other sums due to foreign partners and specialists, shall be derived from the receipts from sales of the joint venture's products on foreign markets.

26. Sales of a joint venture's products on the Soviet market and deliveries to the joint venture from that market of equipment, raw and auxiliary materials, parts and units, fuel, energy, and other items shall be paid in roubles through appropriate Soviet foreign trade organizations on the basis of contract prices and with due regard for world market prices.

27. If necessary, a joint venture may use commercial credits:

credits in foreign currency shall be available from the Bank for Foreign Trade of the USSR or, with consent of the Bank for Foreign Trade of the USSR, from Foreign banks and firms;

credits in roubles shall be available from the State Bank of the USSR or the Bank for Foreign Trade of the USSR.

28. The State Bank of the USSR and the Bank for Foreign Trade of the USSR shall be authorized to check if credits granted to a joint venture are used properly, its security is provided for the credits, and if the credits are repaid in due time.

29. A joint venture shall open a rouble or foreign currency account with the State Bank of the USSR or the Bank for Foreign Trade of the USSR and draw money from that account as is required for its operation. The money on the account shall bear interest:

the interest in foreign currency shall depend on the world market rates;

the interest in roubles shall be payable on terms and under the procedure prescribed by the State Bank of the USSR.

In what concerns foreign currency accounts of joint ventures and their operations involving foreign currency, differences of exchange shall be registered as profits or losses.

30. A joint venture shall form a reserve fund and other funds necessary for its operation and for meeting the social needs of its employees.

Deductions from profits shall be added to the reserve fund until that fund totals 25 per cent of the registered fund of the joint venture. The monetary value of the annual contributions to the reserve fund shall be specified by the constituent instruments.

The list of other funds and the way they are raised and used shall be specified by the constituent instruments.

31. The profits of a joint venture, with the deduction of sums to be handed over to the state budget of the USSR and sums allocated to form and build up the venture's funds, shall be divided among the partners in proportion to each partner's share in the registered fund.

32. Foreign partners in a joint venture shall be guaranteed a transfer abroad of sums in foreign currency due to them as their share of the profits made by the joint venture.

33. Joint ventures shall make depreciation deductions in accordance with regulations applying to state-run Soviet organizations unless different arrangements are stipulated by the constituent instruments. The sums thus accumulated shall remain at the joint venture's disposal.

34. The designing and capital construction of joint ventures' facilities, including those intended for social needs, shall be covered by appropriate agreements and paid for with the joint ventures' own money, as well as loans they raise. Prior to approval, designs shall be considered and agreed upon in keeping with a procedure prescribed by the State Construction Committee of the USSR. Soviet organizations shall give priority to joint ventures in what concerns the provision of material resources ordered for construction and the carrying out of building and assembly operations.

35. Cargo of joint ventures shall be transported in the order established for Soviet organizations.

IV. Taxation of Joint Ventures

36. Joint ventures shall pay a tax in the amount of 30 per cent of the part of their profit which remains after deductions have been added to the reserve fund and other its funds intended for the expansion of production and for research and development. The sums paid in taxes shall be transferred to the state budget of the USSR.

Joint ventures shall be exempt from the tax on their profits during the initial two years of their operation.

The Ministry of Finance of the USSR shall have the right to cut down tax payments or completely exempt individual joint ventures from taxes.

37. The calculation of sums to be paid as taxes on profits shall be done by joint ventures.

The sums of the advance tax payment for a current year shall be determined by joint ventures on the basis of their financing plans for the current year.

The calculation of the total sum of the tax on the profits actually made during an expired calendar year shall be done by joint ventures not later than the 15th of March of the year which follows the year of account.

38. Fiscal control bodies shall be authorized to check if joint ventures accurately calculate their tax payments.

An overpayment of the tax for an expired year may either be added to the current tax payments or returned to the payer at the latter's request.

39. The sum of the tax on the profit for a current year shall be transferred to the state budget of the USSR by equal instalments not later than 15 days before the expiry of each quarter. The total sum of the tax shall be paid not later than the 1st of April of the year which follows the year of account.

If the payment is overdue, the tax payer shall pay a fine in the amount of 0.05 per cent per every day after the assigned date of payment.

Overdue sums of the tax shall be recovered in accordance with the procedure established for foreign legal entities by the Rules for the Recovery of Overdue Taxes and Non-tax Payments, endorsed by the Decree of the Presidium of the Supreme Soviet of the USSR of January 26, 1981 (see Gazette of the USSR Supreme Soviet, 1981, No. 5, item 122).

40. A joint venture shall have the right to lodge a complaint against actions of fiscal control bodies with regard to tax recover. A complaint shall be lodged with the fiscal control body which checks the calculation of sums to be paid in taxes. Each case shall be decided within one month since the lodging of the complaint.

A joint venture shall be entitled to appeal against the decision to a higher fiscal control body within a period of one month since the case has been decided.

Lodging a complaint does not mean that the complainant may discontinue paying the tax.

41. If transferred abroad, the part of the profit due to a foreign partner in a joint venture shall be taxed in the amount of 20 per cent of that part unless a different arrangement is stipulated by an agreement between the USSR and the partner's country.

42. The foregoing taxation procedure shall apply to profits made by joint ventures established on Soviet territory and by branches of joint ventures set up in the USSR with the participation of Soviet organizations in other countries as a result of their operation on Soviet territory, on its continental shelf, in the economic zone of the USSR, and in other countries.

43. Instructions in regard to taxation of joint ventures shall be issued by the Ministry of Finance of the USSR.

V. Auditing of Joint Ventures

44. In order to enable partners in a joint venture to exercise their auditing rights, the constituent instruments shall stipulate a procedure for giving them access to information related to the operation of the joint venture, the state of its property, and its profits and losses.

A joint venture may have an auditing commission, which is formed in a manner defined by the constituent instruments.

45. Joint ventures shall maintain routine, business and statistical accounting in accordance with the procedure established in the USSR for Soviet state-run enterprises. The form of such accounting and of related records shall be jointly endorsed by the Ministry of Finance and the Central Board of Statistics of the USSR.

According to the Soviet law, joint ventures shall be held responsible for properly maintaining the accounting procedure and for the correctness of records and accounting.

Joint ventures shall not submit statements of accounts or any other similar information to state or other bodies of foreign countries.

46. The auditing of the finance, business and commercial activities of joint ventures shall be carried out by a Soviet auditing self-supporting organization duly paid.

VI. Personnel of Joint Ventures

47. The personnel of joint ventures shall largely consist of Soviet citizens. The management of joint ventures shall conclude collective agreements with trade union organizations set up at their facilities. The content of these agreements, including the meeting of the social needs of the employees, shall be as stipulated by the Soviet law and the constituent instruments.

48. The pay, working conditions, rest, social security and social insurance of the Soviet employees of joint ventures shall comply with the norms of the Soviet law. These norms shall also apply to foreign personnel of joint ventures, except for matters of pay, leaves, and pensions which are stipulated by a contract signed with each foreign national.

The USSR State Committee for Labour and Social Affairs and the All-Union Central Council of Trade Unions shall be authorized to decide on the applicability of Soviet social insurance legislation to foreign employees of joint ventures.

49. A joint venture shall make payments to the state budget of the USSR for state-sponsored social insurance of Soviet and foreign employees, as well as payments for pensions for Soviet employees in amounts specified for Soviet state-run organizations. Sums in foreign currency to cover foreign employees' pensions shall be transferred to respective funds in the countries of their permanent residence.

50. The pay of foreign employees of a joint venture shall be liable to the income tax in the amount and in accordance with the procedure defined by the Decree of the Presidium of the Supreme Soviet of the USSR of May 12, 1978, "On the Income Tax Imposed on Foreign Legal and Physical Persons" (see Gazette of the USSR Supreme Soviet, 1978, No. 20, item 313). The unspent portion of foreign employees' pay in foreign currency may be transferred abroad.

VII. Liquidation of Joint Ventures

51. A joint venture may be liquidated in cases and in the manner stipulated by the constituent instruments, and also by a decision of the Council of Ministers of the USSR if the activities of the joint venture run counter to the objectives defined by these instruments. A notification about the liquidation of a joint venture shall be published in the press.

52. In case of the liquidation of a joint venture or upon leaving it, a foreign partner shall have the right to withdraw his share in the form of money or commodities on the basis of the residual value of his share at the moment of the liquidation of the joint venture, provided the said foreign partner has cancelled his liabilities to the Soviet partners and third parties.

53. The liquidation of a joint venture shall be registered with the Ministry of Finance of the USSR.

N. RYZHKOV,
Chairman of the Council of Ministers
of the USSR

M. SMIRTYUKOV,
Top Manager of the Council of
Ministers of the USSR

Moscow, Kremlin
January 13, 1987, No. 49

DECISION OF THE CENTRAL COMMITTEE OF THE CPSU AND THE COUNCIL OF MINISTERS OF THE USSR No. 1074, SEPTEMBER 13, 1987 "ON ADDITIONAL MEASURES AIMED AT IMPROVING FOREIGN ECONOMIC ACTIVITIES UNDER THE NEW CONDITIONS OF ECONOMIC MANAGEMENT"

(Excerpts)

The Decision points out that the Communist Party's strategy of boosting the social and economic development of the USSR, making a maximum use of the advantages of planned economy, promoting the socialist economic integration and furthering the Soviet Union's participation in the international division of labour calls for material improvements in the area of foreign economic relations and a greater role to be played by enterprises, associations and organizations in the work towards these goals.

Recent measures taken to improve the management of all organizations involved in foreign economic relations have proved to be correct. The Soviet Union has for the most part carried out a whole set of organizational, legal and economic measures aimed at making a wider use of the international division of labour in order to accelerate the economic development of the country, draw manufacturers of export products into foreign economic activities, and make them more interested in the results of foreign trade. On the other hand, the Plenary Meeting of the Communist Party Central Committee, held in June 1987, pointed to the fact that the central economic departments, ministries, enterprises, associations and organizations have not yet put an end to the slackness, typical of the recent period of stagnation, in furthering foreign economic relations, and that work collectives in the manufacturing industries do not display enough initiative in expanding exports and introducing new forms of international cooperation. Many ministries, enterprises, associations and organizations fail to make full use of the rights they have been granted in this area. Economic methods of management and profit-and-loss accounting are introduced too slowly. Self-support in terms of hard currency has not yet become the principal form of foreign economic activities of ministries, government departments, associations and enterprises. No significant change has taken place in the imports policy. Decision-making in the area of foreign economic relations continues to be a complicated multiple-stage process.

The Central Committee of the CPSU and the Council of Ministers of the USSR are of the opinion that in order to ensure continued improvements in foreign economic relations and a greater role to be played in that area by enterprises, associations, organizations, ministries and government departments of the USSR and the Councils of Ministers of the Union Republics, and in order to simplify the established procedures in that area, the principal objectives in the field of foreign economic relations of the permanent bodies of the Council of Ministers of the USSR, the State Planning Committe, the State Committee for Supplies, the State Agroindustrial Committee, the State Construction Committee, the State Committee for Science and Technology, the ministries and government departments of the USSR, the Councils of Ministers of the Union Republics, as well as enterprises, associations and organizations should be further raising the effectiveness of their work, promoting the economic, scientific and technological integration of the USSR and the CMEA member countries, expanding the export facilities, drastically improving the commodity composition of the Soviet Union's foreign trade turnover, raising the technical standards and competitive power of goods, and putting an end to irrational imports.

The Central Committee of the CPSU and the Council of Ministers of the USSR deem it necessary to promote in every possible way, in accordance with the decisions of the Plenary Meeting of the CPSU Central Committee, held in June 1987, the foreign economic activities of enterprises, associations and organizations on the basis of the Law on the State Enterprise (Association), make a rapid switchover to economic methods of management, make an extensive use of long-term performance standards, ensure self-support of enterprises and organizations in terms of hard currency, develop direct production, scientific and technical cooperation with enterprises and organizations of socialist countries, and actively collaborate with all countries concerned in the establishment of joint ventures and manufacturing facilities, and in introducing other effective forms of economic interaction.

On Speeding Up the Establishment and Improving the Functioning of Joint Ventures and International Associations and Organizations, and on Promoting Direct Business Relations with Enterprises and Organizations of Socialist Countries

The Central Committee of the CPSU and the Council of Ministers of the USSR deem it necessary to simplify the existing procedure for making decisions in regard to the establishment of joint ventures and international associations and organizations; the ministries and government departments of the USSR and the Councils of Ministers of the Union Republics have been granted the right to make such decisions independently.

In order to expand production and promote cooperation, enterprises, associations and organizations are allowed, regardless of the existing agreements and protocols on direct economic relations, to conclude contracts for single shipments of products, samples and specimens, instruments, machining attachments and auxiliaries, tools and reusable resources released in the process of producing materials, machinery and equipment; they are also allowed to conclude contracts for the provision of services.

For fuller satisfaction of the demand of the population for consumer goods and for broadening the range of such goods, it is recommended that home trade organizations, consumer cooperatives and other cooperative establishments maintain an extensive exchange of commodities with organizations from socialist countries.

The aforesaid deliveries and commodity exchange operations shall be effected on the basis of contractual prices with payments made in roubles, in national currencies or on a properly balanced non-currency basis; the results of such deliveries and commodity exchange operations shall be added to those of the routine activity of enterprises, associations and organizations.

It is recommended that enterprises, associations and organizations expand economic interaction with socialist countries through the use of various effective forms of joint economic activities in production, scientific and technical cooperation, foreign trade, as well as financing and crediting, including the establishment of joint-stock companies and societies, and the use of other forms of investment and commercial activities.

The Central Committee of the CPSU and the Council of Ministers of the USSR are of the opinion that intergovernmental agreements with socialist countries in the area of economic, scientific and technical cooperation should only cover the most important inter-industry problems, for the ministries and government departments of the USSR independently conclude agreements on all other aspects of cooperation, while the Councils of Ministers of the Union Republics promote the conclusion of bilateral and multilateral international agreements between or among individual industries and ensure the fulfilment of intergovernmental agreements signed by the USSR.

On Further Expansion of Cooperation with Companies of Capitalist and Developing Countries, Speeding Up the Establishment and Improving the Functioning of Joint Ventures and Production Facilities

In order to consistently follow the Communist Party's policy toward utilizing the advantages of the international division of labour, strengthening the Soviet Union's position in international trade and introducing the latest achievements in world science and technology into the national economy, it is deemed necessary that the ministries, government departments, enterprises, associations and organizations of the USSR work much harder to promote cooperation with capitalist and developing countries.

The ministries and government departments of the USSR and the Councils of Ministers of the Union Republics have been granted the right to make independent decisions on setting up on Soviet territory joint ventures with the participation of firms from capitalist and developing countries.

In agreement with Soviet enterprises and organizations, joint ventures shall specify the currency to be used in payments for products they sell and commodities they buy; they shall also work out the procedure for sales of their products on, and deliveries of commodities from, the Soviet market.

With mutual consent of the partners in a joint venture, their contributions to the registered fund of the joint venture can be evaluated either in the Soviet or foreign currency.

The Central Committee of the CPSU and the Council of Ministers of the USSR call for a speedy expansion of cooperation with companies of capitalist and developing countries outside the USSR in such areas as science and technology, trade, finance, servicing, tourism, and advertising. With that objective in view, they recommend setting up joint R&D, engineering, marketing and advertising firms, and joint organizations for maintenance and repair of machinery and equipment exported from the USSR, as well as sending skilled specialists and workers abroad, purchasing shares and bonds, and issuing and distributing securities.

On Broader Employment of Economic Methods of Managing Foreign Economic Relations

The Central Committee of the CPSU and the Council of Ministers of the USSR stress the necessity of further improving the planning of foreign economic relations as an integral part of the overall national economic planning system. The planning of foreign economic relations is called upon to broaden the Soviet Union's participation in the international division of labour, promote the socialist economic integration, effectively change the structure of Soviet exports and imports, encourage the drive of enterprises, associations and organizations for increasing exports of competitive products, and curtailing irrational imports. With these aims in view, the State Planning Committee, the State Committee for Supplies, the ministries and government departments of the USSR, and the Councils of Ministers of the Union Republics shall ensure, through the system of state orders and allocations, strict fulfilment of international obligations of the USSR, following from:

— the coordination of the state plans of the USSR and other socialist countries, and the provisions of the Comprehensive Programme for Scientific and Technological Progress of the CMEA Countries till the Year 2000;

— agreements on trade and payments signed by the USSR with India, Finland and other countries;

— agreements on economic and technical cooperation between the USSR and other countries.

The State Planning Committee and the State Committee for Supplies shall see to it that draft plans and material balances fully take into account the agreements between ministries and government departments of the USSR on deliveries of export products. The Councils of Ministers of the Union Republics shall do the same in regard to republican ministries and departments.

Under the Law on the State Enterprise (Association), enterprises and associations have the right to export machine tools and other finished products turned out in excess of the targets set by state orders and economic contracts; they are urged to do so in order to use favourable changes on the world market and develop direct business relations and other effective forms of economic cooperation with foreign partners.

As a means to invigorating the principles of planning in the foreign economic activities of the ministries and government departments of the USSR and the Councils of Ministers of the Union Republics, as well as enterprises, associations and organizations, their plans for foreign economic activities should incorporate measures and set targets based on the state economic and social development plan and serving to broaden the range of export products, increase exports of competitive products on foreign markets, promote the socialist economic integration (including the accomplishment of the tasks set by the Comprehensive Programme for Scientific and Technological Progress of the CMEA countries), economize in hard currency, expand the international cooperation of production, and ensure successful operation of joint ventures and international associations and organizations.

The permanent bodies of the Council of Ministers of the USSR shall supervise the drawing up and accomplishment of said plans.

Products manufactured by joint ventures abroad for the Soviet market and products resulting from the processing of raw materials and semifinished products of Soviet origin shall be added to the production, sales, and export and import quotas of respective Soviet enterprises, associations and organizations; the State Planning Committee shall work out and endorse a procedure for such transactions.

In order to make foreign partners more interested in setting up joint ventures on Soviet territory, joint ventures can be exempted from the tax on profits for a period of two years, counting from the date the first profit is secured.

In order to make it easier for enterprises, associations and organizations, ministries and government departments of the USSR, and the Councils of Ministers of the Union Republics to draw on their convertible currency funds, they are allowed to make hard currency payments for imported products without permission of respective foreign trade associations of the USSR Ministry of Foreign Trade, the USSR State Committee for Foreign Economic Relations, the Councils of Ministers of the Union Republics, and ministries and government departments of the USSR, as well as foreign trade divisions of said enterprises, associations and organizations. Purchases thus effected shall be given top priority and added to planned purchasing quotas of foreign trade organizations.

It should be remembered in this connection that according to the established practice, convertible currency funds are to be used to finance imports of machinery, equipment, materials and other commodities intended for research and development, as well as modernization and expansion of production; sums in transferable roubles can be spent on goods intended to meet various needs of work collectives.

The ministries and government departments of the USSR, the Councils of Ministers of the Union Republics, and enterprises, associations and organizations shall be held responsible for rational and economical spending of convertible currency funds at their disposal.

The State Commission for Foreign Economic Relations of the Council of Ministers of the USSR shall work out and endorse a procedure for periodic inquiries into the spending of hard currency.

In oder to stimulate exports, the Foreign Trade Bank of the USSR has been allowed to grant credits in foreign currency to enterprises, associations and organizations for the following purposes and in the following cases:

— setting up and expanding facilities for the manufacture of export products; credits in this case can be given for a period of up to eight years to be repaid with convertible currency accruing from exports;

— financing routine operation for a period of up to two years;

— credits can also be given against future profits, in which case it is essential that the creditor closely follows export contract negotiations.

In order to encourage initiative and inventiveness on the part of enterprises, associations and organizations and promote their economic independence, said enterprises, associations and organizations, and also ministries and government departments of the USSR are allowed to pool allocations from their convertible currency funds, transfer the money thus raised to other enterprises, ministries, government departments or banks on a mutually advantageous basis, which includes interest payments, and investment of money abroad with the consent of respective ministries and government departments of the USSR.

The Foreign Trade Bank of the USSR shall work out, submit for approval to the Ministry of Finance of the USSR, and endorse a procedure for the above transactions.

In order to make the Councils of Ministers of the Union Republics, the Executive Committee of the City of Moscow, the Executive Committee of the Moscow Region, the Executive Committee of the City of Leningrad, and the Executive Committee of the Leningrad Region more interested in utilizing additional local resources for the manufacture of export goods and in promoting border and coastal trade, they are allowed to keep at their disposal, beginning with the year 1988, a greater share of profits in all currencies, accruing from exports and the provision of services by local industries, republican ministries and departments, auxiliary production facilities, handicraft industries, and other economic organizations.

The Councils of Ministers of the Union Republics are allowed to keep part of the profits accruing from exports of commodities manufactured from waste products, such as tailings, originating from facilities run by All-Union ministries, which are located on the territory of a given Soviet Republic, provided said waste products are processed at facilities run by republican or local bodies.

All profits from exports within the framework of border and coastal trade shall be kept by the Councils of Ministers of the Union Republics, and territorial and regional executive committees; sums thus accumulated shall be used for imports of consumer goods, machinery, equipment, raw and auxiliary materials.

In order to make enterprises, associations, organizations, the ministries and government departments of the USSR, and the Councils of Ministers of the Union Republics more interested in increasing deliveries of products to CMEA countries, it is necessary to organize, beginning with the year 1989, wholesale trade in manufactured products, medical equipment, household appliances, sports articles and other goods with payments to be effected in transferable roubles drawn from the accounts of said enterprises, associations, organizations, ministries and government departments of the USSR, and the Councils of Ministers of the Union Republics; said wholesale trade shall be maintained with a view to updating and expanding production, introducing advanced technologies and equipment, and meeting various needs of work collectives.

Beginning with the year 1989, the State Planning Committee and the State Committee for Supplies shall channel part of the products imported from CMEA countries into wholesale trade with payments to be made in transferable roubles.

The State Committee for Supplies and the Ministry of Finance of the USSR shall work out, with the aid of ministries and government departments concerned, and endorse a procedure for said wholesale trade.

In working out plans for, and coordinating protocols on, trade with CMEA countries, the State Planning Committee, the Ministry of Foreign Trade, the ministries and government departments of the USSR, which have been granted the right to conduct independent export and import operations, and the Councils of Ministers of the Union Republics shall make provision for using currency funds in transferable roubles.

In working out plans for, and carrying out a radical reform of the price formation system, the USSR State Committee for Prices, the State Planning Committee and the Ministry of Finance of the USSR shall bring the level of prices set on individual types and categories of products closer to that of world market prices; this shall be done on a sound economic basis with a view to bringing about positive changes in the structure of foreign trade, expanding international specialization and cooperation of production and creating conditions for a future switchover to international exchange rates.

THE LAW OF THE USSR ON THE STATE ENTERPRISE (ASSOCIATION)

June 30, 1987

(Extract)

Article 19. **Foreign Economic Activities**

1. The foreign economic activities of an enterprise are an important component of all its operations. They shall be pursued, as a rule, on the basis of self-recoupment in foreign currency and self-financing, their results shall be an organic part of the economic performance of an enterprise and directly affect the formation of the economic incentives and foreign currency allocation funds.

An enterprise shall secure, in the first place, deliveries of export commodities.

2. In the foreign economic activities of an enterprise priority shall be attached to co-operation with enterprises of socialist countries, expansion and deepening of socialist economic integration and the development of efficient co-operation.

In its relations with enterprises and organizations of the CMEA member-countries an enterprise shall operate in the following way:

— shall set up direct connections, solve the problems of production, scientific and technical co-operation, including determination of the economic conditions of co-operation, in particular, the contractual prices, and conclude economic agreements and contracts;

— shall define by agreement the nomenclature and volumes of export and import deliveries of products by way of co-operation and rendering services, effect transfers of material resources and relevant technical documents;

— shall perform scientific research and development, and experimental work, set up joint teams of scientists and specialists for these purposes, exchange scientific and technical documents on mutually acceptable terms, and render assistance in the training of personnel;

— shall take part in the activities of joint ventures, international associations and organizations set up on the basis of international agreements concluded by the USSR.

3. An enterprise shall maintain its economic ties with firms from capitalist and developing countries on the principles of mutual benefit and equality. The principal forms of developing such ties shall be production, scientific and technical co-operation on a long-term and balanced basis, as well as the initiation of joint ventures and production. The procedure of setting up joint ventures and production in Soviet territory shall be laid down in accordance with Soviet legislation.

4. An enterprise securing sizeable deliveries of export products (works, services) may be granted the right of direct performance of export-import operations (including the markets of capitalist and developing countries) and setting up a self-supporting foreign trade firm for these purposes.

Enterprises which have no right of independent access to a foreign market shall take part in determining the best conditions for the export of their products (works, services) through foreign trade associations of their respective or other ministries and government departments.

5. For the purposes of promoting self-supporting economic performance, enhancing economic interest and responsibility, widening independence in implementing export-import operations, an enterprise shall perform the following functions:

— shall maintain co-operation with foreign partners on the basis of business contracts;

— shall set up a foreign currency allocation fund formed in accordance with stable long-term norms from sums received from marketing finished products (works, services) for export, as well as all foreign currency returns from operations in co-operative deliveries and sales of licences;

— may obtain a bank credit in foreign currency for initiating and developing production for export on condition that credit is to be repaid with foreign currency returns from exported products;

— shall bear economic responsibility for the efficiency of foreign economic relations and the rational use of foreign currency funds in the interest of developing production and improving its technological standards;

— shall make compensation for damages caused by failure to fulfil assignments for the export of commodities or contractual obligations from the foreign currency funds at its disposal;

— shall pay to the foreign buyer all fines and other sanctions in foreign currency from the foreign currency revenue fund, if the violation of obligations has occurred through its own fault.

6. For the purposes of technical re-equipment and reconstruction of production, implementing scientific research and development, experimental and other work an enterprise shall import products at the expense and within the limits of the foreign currency allocations or borrowed funds. It shall also be entitled to acquire in the CMEA member-countries for the needs of its labour collectives medical equipment, cultural and household, sports and other goods not included in the plans of government distribution.

The sums of the foreign allocation fund of an enterprise shall be free from recovery and may be accumulated for use in subsequent years.

7. An enterprise may obtain from the Bank for Foreign Economic Affairs of the USSR on credit terms sums in transferable roubles and the national currencies of the countries of the socialist community for implementing research and development and for developing efficient production through co-operation.

REGULATIONS
FOR THE ISSUANCE OF PERMITS
FOR SHIPPING GOODS AND PROPERTY INTO
AND OUT OF THE USSR,
AND FOR RE-EXPORT OF GOODS

1. General Provisions

1.1. The decision of the Council of Ministers of the USSR No. 1513 of December 22, 1986 stipulates the following:

1.1.1. Permits for shipment of goods and property into and out of the USSR by state, cooperative and other associations, enterprises and organizations, including those maintaining direct business relations with foreign partners, as well as joint ventures, international associations and organizations, and permits for transit of foreign goods across the Soviet territory shall be issued by the Ministry of Foreign Trade of the USSR [1]

1.1.2. Permits for shipment of goods and property into and out of the USSR by organizations operating under the USSR State Committee for External Economic Relations, the USSR· Ministry of Fisheries, the USSR Ministry of Geology, and the Chief Administration for Geodesy and Cartography under the Council of Ministers of the USSR shall be issued by the USSR State Committee for External Economic Relations.

1.1.3. Permits for re-export of goods shall be issued by the USSR Ministry of Foreign·Trade or the USSR State Committee for External Economic Relations with due regard for the above.

Permits mentioned above shall authorize transit of goods and property across the state frontier of the USSR [2].

1.2. In accordance with a decision of the State Commission for External Economic Relations of the Council of Ministers of the USSR (Protocol No. 17 of December 9, 1986, Section XIV), the procedure stipulated by the present Regulations in regard to the issuance of permits for shipping goods and property into and out of the USSR and for re-export of goods shall be obligatory for all ministries, government departments, associations, enterprises and organizations.

1.3. Permits fall into two categories: general permits (see Annexes 1 and 2) and one-time permits (see Annexes 3, 4 and 5).

1.4. Charged with the function of issuing general and one-time permits are the Main Departments of the USSR Ministry of Foreign Trade and the USSR State Committee for External Economic Relations. In cases mentioned in Para.2.3 of the present Regulations, general permits may also be issued by authorized representatives of the USSR Ministry of Foreign Trade and the USSR State Committee for External Economic Relations.

1.5. Permits shall be signed by Chiefs (or their deputies) of the Main Departments or by authorized representatives of the USSR Ministry of Foreign Trade and the USSR State Committee for External Economic Relations. They shall also be sealed.

2. The Issuance of General Permits

2.1. General permits (see Annexes 1 and 2) shall be granted to:

— foreign trade organizations;

— associations, enterprises and organizations incorporating foreign trade firms;

— associations, enterprises and organizations maintaining direct business, scientific and technical relations with enterprises and organizations of other socialist countries;

— joint ventures, international associations and joint organizations, as well as their representations and branches set up on the territory of the USSR.

2.2. General permits for import and export of goods in accordance with annual import and export programmes or special decisions and rulings of the Government of the USSR shall be issued every year to foreign trade organizations, as well as associations, enterpises and organizations incorporating foreign trade firms.

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[1] The procedure for issuing permits for transit of foreign goods across the territory of the USSR is defined by special regulations.

[2] Goods and property are also allowed across the state frontier of the USSR. on the strength of import permits issued by Soviet trade representations abroad in accordance with Regulations endorsed by the Decree of the Presidium of the Supreme Soviet of the USSR of September 29, 1982. Matters regarding transit of goods and property not mentioned in the present Regulations are considered by the Chief State Customs Administration under the Council of Ministers of the USSR.

2.3. General permits shall be issued to associations, enterprises and organizations maintaining direct business, scientific and technical relations with enterprises and organizations of other socialist countries for the import and export of jointly manufactured products, specimens of manufactured articles, instruments, machining attachments, tools, materials, machinery and equipment in accordance with agreements on specialization and cooperation of production and scientific and technical cooperation, as well as protocols on direct business, scientific and technical relations, and other economic agreements.

Permits shall be issued for one year or a longer term corresponding to the period covered by a given agreement or protocol on direct business relations upon receipt of an application from the head of an association, enterprise or organization. Attached to the application are copies of corresponding agreements or protocols.

2.4. General permits shall be issued every year to joint ventures, international associations, joint organizations, and their representations and branches set up on the territory of the USSR for the import and export of goods required for their operation.

Permits shall be issued upon receipt of an application from the head of an enterprise, association or organization. Attached to the application are copies of documents concerning the setting up of a given enterprise, association or organization.

3. The Issuance of One-Time Permits

3.1. One-time permits (see Annexes 3 and 4) shall be issued for following purposes:

3.1.1. One-time permits for shipping property to the USSR shall cover:

— property brought to the USSR in accordance with scientific and technical cooperation programmes for joint work, research, etc.;

— property temporarily brought to the USSR to be later returned by the recipient, provided it is left on the territory of the USSR;

— property brought to the USSR by foreign trade organizations, as well as associations, enterprises and organizations incorporating foreign trade firms, provided said property is not on the import list of said foreign trade organizations and firms.

3.1.2. One-time permits for taking property out of the USSR shall cover:

— property taken out of the USSR in accordance with scientific and technical cooperation programmes for joint work, research, etc.;

— property temporarily taken out of the USSR to be later returned by the recipient, provided it is left abroad;

— property taken out of the USSR by foreign trade organizations, as well as associations, enterprises and organizations incorporating foreign trade firms, provided said property is not on the export list of said foreign trade organizations and firms;

— property sent to Soviet establishments and organizations abroad, including property intended for representation purposes.

3.2. One-time permits shall be issued upon receipt of applications from deputy ministers and deputy heads of government departments and other central administrative bodies for a period of time required for taking property into or out of the USSR, but normally for no more than one year.

The validity term of a permit may be extended by the grantor.

Attached to an application for a one-time permit are documents on the strength of which property is taken into or out of the USSR, such as copies of protocols on cooperation, agreements, contracts, letters from organizations and firms concerned, etc.

3.3. USSR trade representations abroad shall issue permits for shipping goods and property to the USSR (see Annex 5) with due regard for the present Regulations.

Permits shall be signed by USSR trade representatives abroad (or their deputies) and sealed.

3.4. For re-export of goods from the USSR, export permits shall be issued (see Annex 3), in which the word "export" is changed for "re-export". In all other respects, such permits shall comply with the present regulations.

4. Concluding Provisions

4.1. An application (see Annex 6) submitted to the head of a main department or to a representative of the USSR Ministry of Foreign Trade or the USSR State Committee for External Economic Relations shall be sealed.

It shall not be submitted later than a month before the beginning of the period to be covered by said application and shall be considered within 10 days from the date of receipt.

4.2. General permits shall be mailed to applicants who shall make and certify copies of them, and send a copy to the customs.

4.3. One-time permits shall only be valid for transit of property via a specific point on the USSR frontier. Granters shall send such permits to the customs operating at the said point; copies of permits shall also be sent to the applicants.

4.4. Permits shall reach the customs prior to the arrival of goods or property at a given point on the USSR frontier.

To Head of Main Department

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To Representative of the USSR Ministry of Foreign Trade[1]

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[1] Representatives of the USSR Ministry of Foreign Trade are to be found at the Councils of Ministers of all the Union Republics and also in Leningrad.

APPLICATION FOR EXPORT (IMPORT) PERMIT

A grant of an export (import) permit is hereby requested on the strength of the Agreement (Protocol) on direct business relations concluded by ______________________________

(name of Soviet partner)

____________ and ______________________________

(name, country and address of foreign partner)

on ______________________________

(date of signing Agreement of Protocol)

Name of transit point on USSR frontier ____________

____

It is requested that the permit be valid till ____________

____________ " " ____________ 19 ____

Enclosed: ______________________________

(copy of Agreement or Protocol on direct business relations)

______________________ ______________

(post held by undersigned) (signature)

Seal

Annex 1

(USSR MINISTRY OF FOREIGN TRADE/USSR
STATE COMITTEE FOR EXTERNAL ECONOMIC RELATIONS)

GENERAL EXPORT PERMIT No. ______________

Date of issuance " " ____________ 19 ____ Valid till " " __________ 19 ____

Issued to______________________________________

for shipping from USSR goods on strength of ____________

____

____

List of documents to be presented
herewith to customs by holder of
this permit ______________________________________

Seal Head of Main Department

____

____

Representative of
Ministry of Foreign Trade
(State Committee for
External Economic Relations) ____

____

(signature)

Annex 2

(USSR MINISTRY OF FOREIGN TRADE/USSR
STATE COMMITTEE
FOR EXTERNAL ECONOMIC RELATIONS)

GENERAL IMPORT PERMIT No. _____

Date of issuance " " ____________19____ Valid till " "__________19 ____

Issued to______________________________________

for shipping to USSR goods on strength of ______________

____

____

List of documents to be presented
herewith to customs by holder of
this permit ______________________________________

Seal Head of Main Department

____

____

Representative of Ministry of Foreign
Trade (State Committee for External
Economic Relations)

____

(signature)

Annex 3

(USSR MINISTRY OF FOREIGN TRADE/USSR
STATE COMMITTEE
FOR EXTERNAL ECONOMIC RELATIONS)

EXPORT PERMIT No.__________

Date of issuance Valid till
" " __________ 19 __ " " __________ 19 __

Consignor ____________________
Country of destination ____________________
Consignee ____________________
Name of transit point on USSR frontier ____________________
Detailed description of goods ____________________
____
____
Quantity in units of measurement (pieces, standards, cubic meters, etc.)____________________
Number of packages ____________________
Type of packaging ____________________
Gross weight, kg ____________________
Net weight, kg ____________________
Cost in roubles____________________
Marking (marks and numbers) ____________________
List of documents to be presented herewith to customs by holder of this permit ____________________
____
Goods are shipped on strength of ____________________
____

Seal Head of Main Department
____
____
____
(signature)

Annex 4

(USSR MINISTRY OF FOREIGN TRADE/
USSR STATE COMMITTEE
FOR EXTERNAL ECONOMIC RELATIONS)

IMPORT PERMIT No. ________

Date of issuance Valid till
" " __________ 19 __ " " __________ 19 __

Country of importer ____________________
Country of origin of goods ____________________
Name of transit point on USSR frontier ____________________
Consignee ____________________
Detailed description of goods ____________________
____
____
____
Quantity in units of measurement (pieces, standards, cubic meters, etc.) ____________________
____
____

Number of packages ____________________

Type of packaging ____________________

Gross weight, kg ____________________

Net weight, kg ____________________

Cost in roubles ____________________

Marking (marks and numbers) ____________________

List of documents to be presented herewith to customs by holder of this permit ____________________

____

____

Goods are shipped on strength of ____________________

____

Seal

Head of Main Department

____

____

____

____
(signature)

This import permit does not exempt its holder from paying customs duties.

Annex 5

USSR TRADE REPRESENTATION IN____________

IMPORT PERMIT No.

Date of issuance
" " ____________ 19

Valid till
" " ____________19 ___

Country of importer ____________________

Country of origin of goods ____________________

Name of transit point on USSR frontier ____________________

Consignee ____________________

Detailed description of goods ____________________

____

____

____

Quantity in units of measurement (pieces, standard, cubic meters, etc.) ____________________

____

____

Number of packages ____________________

Type of packaging ____________________

Gross weight, kg ____________________

Net weight, kg ____________________

Cost in roubles ____________________

Marking (marks and numbers) ____________________

List of documents to be presented herewith to customs by holder of this permit ____________________

____

____

Goods are shipped on strength of ______________________

____

Seal USSR Trade Representative in

____

____

____

(signature)

This import permit does not exempt its holder from paying customs duties.

Annex 6

To Head of Main Department

____

To Representative of Ministry of Foreign Trade (State Committee for External Economic Relations)

____

APPLICATION FOR EXPORT (IMPORT) PERMIT

A grant of an export (import) permit is hereby requested for shipment from (to) the USSR of ____________________

____

(detailed description of goods)

Consignor ______________________________

Country of destination (origin) ____________________

Consignee ______________________________

Name of transit point on USSR frontier ________________

Gross weight, kg __________ Net weight, kg __________

Quantity in units of measurement (pieces, standards, cubic meters, etc.). ______________________________

Type of packaging ______________________________

Cost in roubles ______________________________

Marking (marks and numbers) ______________________________

It is requested that the permit be valid till __________

" " __________ 19 ___.

The goods are shipped from (to) the USSR on the strength of ______________________________

Enclosed herewith:

________________ ________________

(post held by undersigned) (signature)

Seal

REGULATIONS FOR TRANSIT OF COMMODITIES AND PROPERTY ACROSS THE STATE FRONTIER OF THE USSR

The present Regulations for Transit of Commodities and Property Across the State Frontier of the USSR (referred to hereinafter as the USSR frontier) are a follow-up of Decisions Nos 991 and 992 of the Central Committee of the CPSU and the Council of Ministers of the USSR, dated August 19, 1986 and respectively entitled "On Measures for Improving the Control of Foreign Economic Relations" and "On Measures for Improving the Economic Scientific and Technical Cooperation with Socialist Countries".

1. Regulations for Transit of Commodities and Property of Associations, Enterprises and Organizations Maintaining Direct Economic Relations, and of Joint Ventures, International Associations and Organizations

1.1. No export and import licences issued by the Ministry of Foreign Trade of the USSR and the State Committee for External Economic Relations of the USSR shall be required for commodities and property belonging to:

— Soviet associations, enterprises and organizations, including associations and enterprises of the State Agro-Industrial Committee of the USSR and the Ministry of Trade of the USSR, which have established direct production, scientific and technical relations with enterprises and organizations of socialist countries;

— joint ventures and also international associations and organizations established in the USSR with the participation of enterprises and organizations of socialist countries.

1.2. The ground for transit across the USSR frontier of commodities and property shall be protocols and agreements on maintaining direct economic relations or setting up joint ventures, international associations and organizations.

Soviet participants in direct economic relations, joint ventures, international associations and organizations shall make sure that reference be made in the shipping documents to the respective protocol or agreement. If a person on a business trip carries commodities or property in his or her luggage a special reference to that effect shall be made in a letter signed by an appropriate official.

In cases where such references are not provided, but it is possible to ascertain from the markings, the names and addresses of consignors and consignees, and other information available to customs officials and shipping organizations that commodities or property belong either to associations, enterprises and organizations maintaining direct economic relations or to joint ventures, international associations and organizations, the customs institutions shall allow the transit of the said commodities and property and notify the associations, enterprises or organizations concerned as to the necessity of confirming the legal grounds for the transit of said commodities and property.

1.3. Non-confidential technical documentation related to commodities and property of the type mentioned above shall be allowed through if the carrier of the documentation can present an authorization letter signed by the top executive of his or her association, enterprise or organization.

1.4. The following bodies shall issue import or export licences for the transit of commodities and property across the USSR frontier:

— the State Agro-Industrial Committee of the USSR — for animal and plant products;

— the Ministry of Public Health of the USSR — for medicines and ionizing radiation sources;

— the Ministry of the Interior of the USSR — for weapons, ammunition and virulent poisons;

— the State Telecommunication Inspectorate under the Ministry of Communications of the USSR — for electronic and high-frequency equipment.

2. Regulations for Transit of Property within the Framework of Programmes for Maintaining Friendly Relations Between the USSR and Other Countries

The grounds for transit across the USSR frontier of property shipped with a view to maintaining friendly relations between Soviet and foreign state, cooperative and other organizations, as well as sister cities, regions and districts shall be letters signed by respective officials, which contain a description of the property and specify its quantity.

3. Regulations for Transit of Commodities and Property Belonging to Soviet Foreign Trade Associations, Organizations and Firms

3.1. The Ministry of Foreign Trade of the USSR and the State Committee for External Economic Relations [1] shall issue general export and import licences for commodities and property belonging to:

— foreign trade associations;

— associations, enterprises and organizations incorporating foreign trade firms;

— associations, enterprises and organizations maintaining direct economic relations with enterprises and organizations in caitalist and developing countries;

— joint ventures, international associations and organizations set up in the USSR with the participation of enterprises and organizations from capitalist and developing countries.

In taking commodities and property out of the USSR, foreign trade associations, enterprises and organizations shall see to it that the shipping documents bear the number of the general export licences. In taking commodities and property into the USSR, they shall see to it that the shipping documents bear the number of the contract.

If no mention is made in the shipping documents of the number of the general export licence or that of the contract, while it is possible to ascertain from the markings, the names and addresses of consignors and consignees, and other information available to customs officials or shipping organizations that commodities or property belong to foreign trade associations, enterprises and organizations, the customs shall allow the transit of said commodities and property, but notify the foreign trade associations, enterprises and organizations as to the necessity of confirming the legal grounds for the transit of said commodities and property.

3.2. Commodities and property taken out of or into the USSR as a result of the presentation of a claim for inferior quality shall be made way upon the presentation of letters signed by top executive of the associations, enterprises or organizations concerned.

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[1] The licence granting procedure is coordinated by the Ministry of Foreign Trade of the USSR and the State Committee for External Economic Relations with the Chief State Customs Administration under the Council of Ministers of the USSR.

4. Regulations for Transit of Other Commodities and Property

4.1. The Ministry of Foreign Trade of the USSR, the State Committee for External Economic Relations and Soviet trade representations abroad shall give one-time permissions for transit of commodities and property of the following types:

— those taken out of or into the USSR in accordance with scientific and technical cooperation programmes for carrying out joint research and development, etc.;

— those temporarily taken out of or into the USSR to be necessarily returned after use, if they remain abroad or in the USSR, upon the expiry of the prearranged duration of their use [1];

— those taken out of the USSR to be used by Soviet organizations abroad, including commodities and property intended for representation purposes, as well as property of Soviet organizations taken into the USSR if it finds no use abroad;

— those taken out of or into the USSR as part of frontier trade programmes (with the exception of commodities and property belonging to foreign trade associations of the Ministry of Foreign Trade of the USSR);

— those outside the range of foreign trade associations, organizations and firms, as well as those re-exported from the USSR.

Transit permissions shall reach customs officials before commodities or property are to be taken out of the USSR.

No commodities or property shall be allowed out of the country unless transit permissions are received in due time.

Customs duties shall be imposed on all commodities and property taken into the USSR mentioned in Para. 4.1, with the exception of special cases stipulated by the Soviet law.

4.2. Decisions as to allowing transit across the USSR frontier of property transferred free of charge by Soviet organizations to foreign ones and vice versa shall be taken by the Chief State Customs Administration under the Council of Ministers of the USSR.

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[1] This does not apply to property of associations, enterprises and organizations mentioned in Paras 1 and 3 of the present Regulations, whose property is let go past on the grounds of protocols or agreements on establishing direct economic relations or setting up joint ventures, international associations and organizations, or on the basis of general import and export licences.

Upon sending gratis property abroad or receiving such property from another country, the Soviet organization concerned shall send a letter to the Chief State Customs Administration, containing a description of the property sent or received and specifying its cost and quantity. The letter shall also express an obligation to the effect that the property will be duly registered upon receipt.

Gratis property sent to the USSR shall be liable to customs duty.

4.3. Advertising and promotional matter and souvenirs addressed to Soviet organizations shall be allowed into the USSR upon presentation to customs institutions of letters from the Soviet organizations concerned, which contain a detailed list and description of things delivered, specify their price, and explain the reasons for which advertising and promotional matter and souvenirs were ordered abroad.

Customs duty shall be imposed on advertising and promotional matter and souvenirs intended for sale.

4.4. The transit of gifts for Soviet military contingents abroad and of excessive amounts of canteen-trade goods of foreign manufacture accumulated at Soviet Army depots abroad shall be duty-free if respectively authorized by letters from the command of Soviet military contingents or the Chief Department of Trade of the USSR Defence Ministry.

4.5. No duties shall be imposed on, and no export and import licences shall be required for:

— publications and microfilms sent from abroad to the Academy of Sciences of the USSR and its libraries, the Academies of Sciences of the Union Republics, the Lenin State Library, Moscow and Leningrad State Universities, the Saltykov-Shchedrin State Library, the All-Union State Library of Foreign Literature, and the Library of the Ministry of Higher and Specialized Secondary Education of the USSR (no duties shall be imposed on, and no export licences shall be required for publications and microfilms sent by the above organizations abroad);

— catalogues, prospectuses, price lists, as well as periodical and non-periodical reference, scientific, instructional and technical publications transported by Soviet organizations abroad, but not intended for sale;

— items appended to patent, industrial design and trademark applications addressed to the USSR State Committee for Inventions and Discoveries and the USSR Chamber of Commerce and Industry, such as drawings, sketches, prints and clichés of trademarks, and the like, sent to the above organizations in order to obtain an Author's Certificate, a patent, the right to an industrial design, or to register a trademark; promotional publications and authors' copies issued by the All-Union Copyright Agency;

— books, instruments, tools, maps and other aids taken by specialists sent to work abroad by state organizations, scientific institutions and educational establishments;

— equipment, supplies and fuel required for normal operation of Soviet and foreign vessels, as well as foodstuffs for the crew and passengers, provided said property is not transferred to the shore;

— equipment and supplies purchased abroad for Soviet sea-going vessels, river boats, aircraft and automotive vehicles if the purchase is necessitated by an emergency and if that fact is confirmed by a document presented to the customs;

— equipment and spares sent from other countries for maintenance or repair of foreign ships, aircraft and automotive vehicles temporarily stationed in the USSR, provided the customs receive a document to the effect that the imported equipment and spares are part of standard equipment of respective ships, aircraft or automotive vehicles;

— material aid sent by the Union of the Red Cross and Red Crescent Societies to countries hit by natural calamities;

— films, clips and TV programmes addressed to the All-Union State Film Collection, the Central TV Studio and TV Studios of the Union and Autonomous Republics; video cassettes, magnetic tape in the form of reels and cassettes, and other educational recordings addressed to the Pushkin Institute of the Russian Language; same materials sent by the above Soviet organizations to other countries;

— commodities and property taken to and out of the Spitsbergen by the "Arcticugol" Foreign Trade Association;

— stationery sent by the UN Secretariat or its branches to the "Mezhdunarodniye Otnosheniya" Publishers;

— political literature, slides, film strips, popular science and documentary films and other educational materials and visual aids which political education establishments and the "Znaniye" (Knowledge) Society send to or receive from other countries;

— computer tape carrying data on the quality of export goods sent or received by the State Inspectorate for Quality Control of Export Goods under the Ministry of Foreign Trade of the USSR;

— films taken out of the USSR by the Union of Soviet Societies of Friendship and Cultural Relations with Other Countries;

– property of polar expeditions taken out of or into the USSR by the Institute of Arctic and Antarctic Studies of the State Committee for Hydrometeorology and Control of Natural Environment of the USSR;

– samples of new varieties of seeds and hybrids sent from abroad to the State Crop Variety Testing Commission of the State Agro-Industrial Committee of the USSR.

5. Regulations for Transit of Commodities and Property Temporarily Taken out of or into the USSR [1]

Commodities and property temporarily taken out of or into the USSR shall be exempt from customs duty, provided that the Soviet organizations which send away or receive commodities and property guarantee the customs in writing that the commodities and property will be duly returned to the USSR or the sender country.

The guarantee shall not extend over a period of more than one year.

If a longer period is stipulated in a protocol or agreement the guarantee to return commodities and property shall extend over a period specified by the protocol or agreement.

Organizations concerned shall guarantee that commodities or property taken out of the USSR will be returned to the USSR, and that commodities or property taken into the USSR from another country will be returned to that country.

Leaving Soviet commodities or property abroad, or foreign commodities or property in the USSR despite a guarantee to return them. to the owner is only possible with permission obtained from the Ministry of Foreign Trade of the USSR and the USSR State Committee for External Economic Relations.

Organizations which fail to return commodities or property to the USSR or the owner country shall be held responsible under the Soviet law.

The customs shall take account of commodities and property temporarily taken into or out of the USSR.

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[1] The following procedure does not apply to commodities and property of associations, enterprises and organizations mentioned in Paras 1 and 3 of the present Regulations. Transit of exhibition items is regulated by special rules.

5.1. Artistic, sports and entertainment organizations which send property abroad or organize shows and performances which require taking property out of or into the USSR shall guarantee that the property will be duly returned to the USSR or the owner country.

5.2. Organizations which send out or receive samples and specimens, like those of raw materials, as well as semi-finished and fully manufactured products to be studied and tested or undergo laboratory analyses and investigations, shall guarantee that the samples or specimens shall be duly returned to the sender.

No return guarantees shall be required for samples or specimens priced below 50 roubles (with reference to retail prices of similar items in the USSR).

Samples and specimens used up in studies, tests, and laboratory analyses shall be written off upon receipt of a certificate issued by the recepient.

5.3. Obligations regarding the return to the USSR or to a foreign country of leased property shall be issued by organizations that have signed lease agreements. A certified copy of the agreement shall be attached to the obligation.

5.4. Obligations regarding the return from the USSR of consignment goods shall be issued by organizations that have signed consignment agreements.

A copy of such an obligation shall be handed over to the customs office which monitors the flow of consignment goods at a consignment goods warehouse or centre.

Permission for removal from a consignment warehouse or centre of goods to be taken out of the USSR shall be given by customs offices on the basis of letters received from organizations that have signed consignment agreements.

Permission for removal from a consignment warehouse or centre of goods to be taken to a locality inside the USSR shall be given by customs offices on the basis of documents which authorize shipment of said goods to the USSR.

No permission in regard to taking goods into or out of the USSR shall be required for goods purchased at a consignment warehouse by the crews of Soviet and foreign sea-going ships. No customs duty shall be imposed on such goods.

Machinery and equipment for consignment warehouses or centres, supplied free of charge by foreign consignors, shall be allowed through upon receipt of an obligation in regard to the return of consignment goods, provided that supplies of said machinery and equipment are stipulated by a corresponding consignment agreement.

5.5. An obligation in regard to the return from the USSR of commodities and property, such as construction machinery, means of transportation, auxiliary equipment, prefabricated houses, tools, and office equipment required for the construction in the USSR of turnkey facilities shall be issued by the customer. Such an obligation shall also cover household and recreation goods by the contractor's personnel.

If a foreign contractor concludes an agreement with a Soviet shipping organization in regard to shipping cargo, to the site of the turnkey project, an obligation regarding the return from the USSR of goods and property shall be issued by the said shipping organization.

No return obligation shall be required for, and no customs duty shall be imposed on, foodstuffs and consumer goods intended for the contractors' personnel.

The said goods shall be used for a designated purpose only, they shall not be subject to sale to the personnel not employed by the contractor.

RULES FOR EVALUATING THE LAND, NATURAL RESOURCES, BUILDINGS AND STRUCTURES CONTRIBUTED BY SOVIET PARTNERS IN A JOINT VENTURE TO ITS REGISTERED FUND OR TEMPORARILY LEASED TO A JOINT VENTURE

I. General Provisions

I.1. The present document is a follow-up of Decisions Nos 48 and 49 of the Council of Ministers of the USSR, dated January 13, 1987 and respectively entitled "On the Establisment and Operation on Soviet Territory of Joint Ventures, International Associations and Organizations of the USSR and Other CMEA Member Countries" and "On the Establishment on Soviet Territory and the Functioning of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries". The document sets forth the basic procedural principles and rules for evaluating the right to use land, water and other natural resources, as well as buildings and structures contributed by Soviet partners in joint ventures as their share of the registered funds or temporarily leased to joint ventures.

I.2. In setting up a joint venture, the evaluation of the land, natural resources, buildings and structures whose rightful use is regarded as part of the Soviet partners' contribution to the registered fund of the joint venture shall be agreed upon by the partners on the principle of mutual benefit. As a starting point, the partners may use the prices currently prevalent in the USSR and in the country of the foreign partner.

I.3. Lump-sum or periodical payments for resources may be acceptable. Payments for resources shall be calculated for the entire period of operation of a joint venture and taken into account as a contribution of the Soviet partner to the registered fund.

I.4. Lump-sum or periodical payments for resources contributed by the Soviet partner as his share of the registered fund shall be effected by the said Soviet partner from his share of the profits or from a loan and transferred to local fiscal control bodies in accordance with the procedure currently in force in the USSR. If an operating joint venture requires additional resources (for such purposes as setting up branches of the said joint venture, expanding production, etc.), the joint venture shall effect payments on the terms stipulated by the foundation agreement or on another negotiated basis.

I.5. Information on the prices, ratings, tariffs and payment rates currently in force in the USSR shall be available from the State Prices Committee of the USSR, the State Construction Committee of the USSR, the State Agro-Industrial Cmmittee of the USSR, other ministries and government departments concerned, and local government bodies.

II. Evaluation of Natural Resources

II.1. In setting up a joint venture, payments shall be effected by the joint venture for land, water, forest areas and other resources made available to it for temporary use. The procedure and conditions of lease shall be determined by the Council of Ministers of the USSR and stipulated by joint ventures' constituent instruments or by special lease agreements.

II.2. Payments for resources may take different forms, such as payments for land, allocations for the agricultural development of unused territories, payments for comprehensive urban development surveys, rental payments, payments for timber felling, allocations for geological exploration and prospecting projects, and payments for water.

A joint venture foundation agreement shall set forth mutually beneficial forms of payment for resources made available to the joint venture for temporary use. These payments may be based either on the current Soviet ratings or on those fixed in the country of the foreign partner in the joint venture.

II.3. If the contribution of the Soviet partner in a joint venture consists in granting to the joint venture the right to use natural resources and if this contribution is evaluated on the basis of the current Soviet ratings, the following principles shall be used as guidelines:

— a fixed amount shall be paid for each unit of a natural resource involved in the joint venture's production (such as a cubic meter of standing timber; a hectare of land; a ton of a mined mineral, which includes both the amount actually brought to the surface and the mining losses; a cubic meter of water taken from a river or reservoir; and a cubic meter of polluted water or air);

— payments for natural resources shall be fixed on the basis of expenditures involved in their reproduction and rental payments.

II.3.1. The payment for land offered for use to joint ventures shall differ in urban and rural areas and also depend on the quality and location of land plots.

II.3.2. The payment for farmland shall be set in keeping with "The Fundamentals of Land Legislation of the USSR and the Union Republics", taking into account the compensation due to the land user for losses caused by expropriation or temporary occupation of some of his land; the land user shall also be entitled to a compensation for dropping farm output if some of his land is expropriated for non-agricultural purposes.

Apart from the compensation of land users' losses, payments for land shall also cover losses of farm produce calculated according to an established procedure and resulting from a reduction in the differential rent due to the necessity of using inferior plots instead of good farmland which is to be used as a construction site. Rental payments shall be fixed by using methods evolved by the State Prices Committee of the USSR, the State Agro-Industrial Committee of the USSR, and the Ministry of Finance of the USSR.

The losses of land users and the losses of farm produce due to expropriation or temporary occupation of farmland shall be calculated by special evaluation commissions formed by the executive committees of district or town Soviets of People's Deputies.

II.3.3. The payment for urban land shall depend on the comprehensive territorial urban development ratings and the existing general town and city development programmes; it shall be set with due regard for expenditures involved in the provision of a required infrastructure, as well as for the location of a joint venture within city limits. In concrete terms, the payment shall be set by special evaluation commissions formed by the town Soviets of People's Deputies. The payments shall include expenditures involved in the engineering development of the territory to be occupied by a joint venture, the building of roads, and allocations intended for providing housing for the venture's employees and meeting their social and cultural needs.

II.3.4. Payments for the exploitation of forest land shall be determined according to methods practised by the State Prices

Committee of the USSR. They shall cover reforestation expenditures and rental payments which may either be expressed as a fixed sum or calculated on the basis of the cost of one cubic meter of standing timber. The guidelines are reforestation costs and rental payments fixed by the State Prices Committee of the USSR.

II.3.5. Payments for intake of water by joint ventures from water systems of the USSR (including sources of subterranean water) shall be made according to tariffs endorsed by the State Prices Committee of the USSR. They include rental payments and also cover losses of the water systems.

II.3.6. Payments for the use of mineral resources shall be fixed according to methods prescribed by the State Prices Committee of the USSR and shall take the following forms: 1) sums to cover the cost of geological exploration projects carried out by the state as the owner of the subsoil and calculated on the basis of ratings fixed by the State Prices Committee of the USSR; 2) rental payments covering the entire period of operation of a joint venture and calculated as fixed sums on the basis of the cost of one ton of a mined mineral, which includes both the amount actually brought to the surface and the mining losses.

II.3.7. The State Prices Committee of the USSR, the State Planning Committee of the USSR, the Ministry of Finance of the USSR, the State Agro-Industrial Committee of the USSR, the State Construction Committee of the USSR and other ministries and government departments concerned shall work out methods for calculating, and a procedure for exacting payments for the use of land, its subsoil, forests and water, which will cover expenditures for the reproduction of resources and rental payments. The grounds for exacting rental payments may be favourable conditions for the utilization of land, its subsoil, forests and water, wherefore the production costs of the joint venture are lower than the normal costs of manufacturing similar products sold on home or world markets.

II.3.8. In evaluating the contribution of the Soviet partner in a joint venture, allowance shall be made for expenditures involved in the restoration of ecological balance. These shall include expenses on land recultivation projects, measures to eliminate water and air pollution, etc. In concrete terms, the amount of such expenditures depends on the specifics of performance and location of each joint venture.

II.4. The cost of using the continental shelf and the 200-mile economic zone of the USSR shall be evaluated on the basis of current Soviet ratings and regarded as a contribution of the Soviet partner to the joint venture's registered fund.

II.5. Land plots, forests, bodies of water, and mineral resources made available by the Soviet partner to a joint venture shall not be regarded as its fixed capital, wherefore the joint venture does not have to cover depreciation costs.

II.6. When the Soviet partner's contribution to the registered fund of a joint venture, consisting in granting it the right to use natural resources, is evaluated on the basis of prices and ratings established in the country of the foreign partner, payments for these resources shall be made according to these prices and ratings with eye to the standard business practice accepted in the USSR.

III. Evaluation of the Cost of Buildings and Structures Contributed by the Soviet Partner to the Registered Fund of a Joint Venture

The cost of buildings and structures contributed by the Soviet partner to the registered fund of a joint venture shall be evaluated by mutual agreement to the satisfaction of both parties on the basis of averaged cost indices applied to buildings and structures of a corresponding class and quality, which are published by leading capitalist companies and can also be found in publications put out in the country of the foreign partner. If necessary, the costs are brought up to date by mutual consent of the parties. The cost of buildings and structures contributed by the Soviet partner may also be equated to their estimated or actual cost which is calculated on the basis of standards and ratings established in the USSR.

The cost of newly designed buildings and structures shall be determined with due regard for the duration of construction.

The cost of existing buildings and structures shall be equated to that of newly built similar buildings and structures minus depreciation.

The final cost of buildings and structures contributed by the Soviet partner to the registered fund of a joint venture shall be endorsed by a special department formed by the Council of Ministers of the USSR.

IV. Payments Made by Joint Ventures for Renting Buildings, Structures and Equipment

Payments for the temporary use of buildings, structures and equipment leased to joint ventures shall be made on a mutually agreed and mutually beneficial basis with due regard for the standard principle practised in the USSR or in the country of the foreign partner, whereby the amount of such payments is fixed by taking into account both renovation expenditures and the rate of profit resulting from the use of the leased buildings, structures and equipment. The cost of buildings, structures and equipment shall be evaluated with reference to the cost of putting up new buildings and structures of a similar type in the USSR or the country of the foreign partner with allowance made for renovation expenditures.

The final amounts to be paid for the temporary use of buildings, structures and equipment leased to joint ventures shall be endorsed by a special department formed by the Council of Ministers of the USSR.

THE MINISTRY OF FINANCE
OF THE USSR

May 4, 1987 No. 124

REGULATIONS
FOR THE TAXATION OF JOINT VENTURES

I. General Provisions

1. The present Regulations shall define the procedure for the taxation of joint ventures and foreign partners in joint ventures set up on Soviet territory in accordance with the Decree of the Presidium of the Supreme Soviet of the USSR of January 13, 1987, "On Questions Related to the Setting Up and Operation on Soviet Territory of Joint Ventures, International Associations and Organizations with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies", as well as Decisions of the Council of Ministers of the USSR No. 48 of January 13, 1987, "On the Establishment and Operation on Soviet Territory of Joint Ventures, International Associations and Organizations of the USSR and Other CMEA Member Countries", and No. 49, also dated January 13, 1987, "On the Establishment on Soviet Territory and the Functioning of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries".

2. These Regulations shall pertain to the taxation of incomes derived by joint ventures established on Soviet territory and by branches of joint ventures, also set up on Soviet territory, with the participation of Soviet organizations and management bodies in other countries as a result of their business activities on Soviet territory, on the continental shelf and in the economic zone of the USSR, as well as in other countries. The present Regulations shall also pertain to the taxation of incomes derived by branches of joint ventures located in the USSR, which are legal entities.

3. The payers of the tax on profits are self-supporting and self-financed joint ventures having a bank account.

4. A joint venture shall pay a profit tax in an amount of 30 per cent of the taxable profit which is calculated in accordance with the procedure described in Para. 6 of the present Regulations.

5. The calculation of sums to be paid in profit taxes and the transference of said sums to the state budget shall be done by joint ventures. Joint ventures shall be held responsible for the correctness of profit tax calculations, for paying profit taxes when due, and for duly submitting payment accounts to audit offices.

II. The Calculation of Sums to Be Paid in Tax on Profits and the Transference of Said Sums to the State Budget

6. The taxable profit of a joint venture shall be the difference between the balance profit and allocations to the reserve fund and other joint venture funds intended for expanding production, as well as research and development.

The amount of annual allocations to the reserve fund shall be determined by the constituent instruments. Allocations to the reserve fund shall be discontinued when it reaches 25 per cent of the joint venture's authorized fund.

Other funds, intended for expanding production, as well as research and development, and the way of building up such funds shall be determined by the joint venture's constituent instruments.

7. The calculation of the advance sum of the tax on the current year's profit shall be done by the joint venture on the basis of its financial plan for the current year.

The estimated profit for the current year and the sums of advance tax payments to be effected by a specified date shall be reported by the joint venture to the nearest Soviet fiscal control body not later than January 15 of the current year.

The tax on profit planned for the current year shall be transferred to the state budget of the USSR in equal installments, each equal to one-fourth of the sum to be paid for the whole year, not later than the 15th of the last month of each quarter, i.e., not later than March 15, June 15, September 15 and December 15.

8. The sum to be paid in tax on the profit actually made in the expired calendar year shall be calculated by the joint venture not later than March 15 of the following year on the basis of the account for the expired year. If the tax has not been paid in full, the remaining sum shall be transferred to the state budget not later than April 1 of the year which follows the year of account.

If after an inspection of a joint venture a Soviet fiscal control body or auditing organization finds that the sum to be paid in tax on profit is greater than the sum actually paid, the difference shall be transferred to the state budget within five days from the date of receipt of a notification from the fiscal control body.

An overpayment of the tax shall either be added to the tax payments for the current year or returned to the payer within five days from receipt of his application for payment of balance.

9. A joint venture shall be obliged to submit to the nearest fiscal control body its annual account (balance), a filled-out tax calculation form (see Annex 1 to the present Regulations) and other documentation related to the determination of the sums to be paid as tax on profit, which may be requested by the fiscal control body. These shall be submitted not later than March 15 of the year which follows the year of account.

10. The tax on profits made by joint ventures shall be paid in roubles and the sum paid shall be transferred to the state budget of the USSR (Item 12, Para. 25, "Other Revenues", of the Classification of Incomes and Expenditures).

The payer of the tax on profit shall enter this notation under "Type of Payment" on the face of the payment order: "Tax on profit made by joint venture".

11. If the payment is overdue, the tax payer shall pay a fine in an amount of 0.05 per cent of the arrears per every day after the assigned date of payment, including the day when the payment is effected in full.

Overdue sums of the tax shall be recovered in accordance with the procedure specified for foreign legal entities by the Rules for the Recovery of Overdue Taxes and Non-tax Payments, endorsed by the Decree of the Presidium of the Supreme Soviet of the USSR of January 26, 1981 (see Gazette of the USSR Supreme Soviet, 1981, No. 5, item 122).

III. Taxation of the Part of Profit Made by Foreign Partners in Joint Ventures and Transferred Abroad

12. Unless otherwise stipulated by an agreement between the USSR and the country of a foreign partner in a joint venture, a part of the profit due to said foreign partner may, after deductions to the joint venture's funds are made and the tax on profit is paid, be transferred abroad, in which case that part of the profit shall be taxed in an amount of 20 per cent of the sum transferred abroad.

13. The joint venture shall present an order to the Foreign Trade Bank of the USSR for the transfer of said part of the profit abroad, which is accompanied by a payment order whereby the sum to be paid in tax is transferred to the State budget of the USSR in the currency of the country where the money goes.

The above payments belong under Item 12, Para. 25, "Other Revenues", of the Classification of Incomes and Expenditures.

The payer of the tax on a part of profit to be transferred abroad shall enter this notation under "Type of Payment" on the face of the payment order: "Tax on profit made by foreign partner in joint venture".

14. A foreign partner in a joint venture, who has the right, under international agreements concluded by the USSR, to a discount of the tax rate mentioned in Para. 12 of the present Regulations, shall submit an application for a return of the tax sum or its part to the State Revenues Department of the Ministry of Finance of the USSR (for the application form see Annex 2 to the present Regulations). Apart from the application, the foreign partner in a joint venture shall also submit a copy of a document confirming the payment of the tax on the money to be transferred abroad.

The application shall be submitted within one year from the date of tax payment. Applications submitted upon the expiry of that term shall not be considered.

On the basis of the above-mentioned documents, the Ministry of Finance of the USSR shall make a decision with regard to a return of the tax sum or its part to the applicant. The latter shall receive the money due to him in accordance with the established procedure.

IV. Tax Cuts and Exemptions

15. Joint ventures shall be exempt from the tax on their profits during the initial two years of operation.

16. The Ministry of Finance of the USSR shall be authorized to cut down tax payments on profits made by joint ventures or completely exempt individual tax payers. In order to obtain a tax privilege, a joint venture shall submit to the nearest fiscal control body a request for a tax cut in writing, which is to state why the tax cut is deemed necessary. Enclosed with that request are the documents listed in Para. 9 of the present Regulations.

The fiscal control body shall consider the request and inform the Ministry of Finance of the USSR of its view of the case. It shall also send to the Ministry all the documents pertaining to the case.

The Ministry of Finance of the USSR shall make a final decision within one month from the date of receipt of all the documentation mentioned in this paragraph.

V. Supervision by Fiscal Control Bodies of the Calculation and Payment of the Tax on Profits Made by Joint Ventures and of the Tax on That Part of Foreign Partners' Profits Which Is Transferred Abroad

17. Fiscal control bodies operating at the location of joint ventures shall be charged with:

— checking if joint ventures correctly calculate and duly pay the tax on profits, and if they duly present their accounts;

— checking if foreign partners duly pay the tax on that part of their profits which is to be transferred abroad;

— instructing profit tax payers in all matters related to taxation.

On the basis of information received from a joint venture with regard to the estimated profit for the current year and advance tax payments, the fiscal control body shall start a record of sums and dates of advance tax payments and the results of recalculation of sums payable.

Fiscal control bodies shall have the right to demand that tax payers present additional documentation necessary for the checking of tax payments.

18. Upon receiving a joint venture's annual account and the calculation of the tax sum payable, a fiscal control body

shall check the correctness of sums calculated and paid. If errors are found in the tax sum calculations, the fiscal control body shall notify the joint venture of those errors within 15 days from the date or receipt of the annual account and tax payment documentation.

Under- and overpayments of the tax on profits are dealt with in Para. 8 of the present Regulations.

VI. Lodging Complaints Against Actions of Fiscal Control Bodies

19. A joint venture shall have the right to lodge a complaint against actions of fiscal control bodies with regard to tax recovery. The complaint shall be lodged with the fiscal control body in charge of checking the calculation and payment of tax sums within a month from the date of receipt of a notification from the said fiscal control body with regard to the results of its latest check. If the joint venture fails to inform the fiscal control body of its disagreement with the results of the check within that period, the sum payable shall be regarded as final and the case may not be appealed.

Fiscal control bodies shall consider complaints and decide every case within one month since the date the complaint is lodged.

A joint venture shall be entitled to appeal against the judgement of a fiscal control body to the Ministry of Finance of the USSR within one month from the date it is notified of that judgement.

Lodging a complaint shall not exempt the complainant from paying the tax.

On Partial Revisions of the Terms of Taxation of Joint Ventures

The CC CPSU and the Council of Ministers of the USSR adopted Decision No. 1074 of September 17, 1987 *"On Additional Measures to Improve Foreign Economic Activities in the New Conditions of Management"*, which exempts joint ventures from taxation on profit during the first two years from the time of receiving declared profit so as to enhance the interest of foreign partners in setting up joint ventures in the USSR.

In view of this Decision, Clause 15 of Regulations No. 124 of the Ministry of Finance of the USSR of May 4, 1987 *"On Taxation of Joint Ventures"* has been reworded as follows:

"15. A joint venture shall be exempted from taxes on profit during the first two years from the time of receiving declared profit.

Declared profit shall be profit recorded in the accounting balance-sheet of a joint venture."

The Ministry of Finance of the USSR announces the following revisions in the above Regulations:

1. The second paragraph of Clause 8 of the Regulations shall be read in the following way: "If after an inspection of a joint venture a fiscal control body or Soviet auditing organization..."

2. Clause 9 shall be reworded as follows:

"9. Before March 15 of the year following the accounting year a joint venture shall be obliged to submit to the fiscal control body in the district of location of the joint venture an annual accounting report (balance-sheet) verified by a Soviet auditing organization, an assessment of tax in accordance with the form given in Annex 1 to the present Regulations, as well as, at the request of a financial agency, other material required for the assessment of profit tax.

If no verification has yet been made before the deadline indicated in the above Clause, a confirmation of conformity of the accounting report (balance-sheet) to the accounting rules effective in the USSR shall be submitted by the joint venture within ten days of the date of effecting such verification."

3. Clause 14 shall be supplemented with the following paragraph:

"The foreign partner in a joint venture shall be entitled, prior to the transfer of profit abroad, to submit a request for complete or partial exemption from taxes in accordance with the form presented in Annex 2 to the present Regulations to the Department of State Revenues of the Ministry of Finance of the USSR. In this case, the transfer of profit abroad and the payment of taxes to the Union of budget shall be carried out in accordance with the endorsing remark by the Department of State Revenues of the Ministry of Finance of the USSR on the third copy of the application."

Annex 1

Seal of joint
venture

Calculation of Profit Tax
for Year 19 ...

(thous. of roubles)

Item	Figures planned	Figures reported	
		by tax payer	by fiscal control body
1. Profit on balance			
2. Allocations:			
— to reserve fund			
— to R&D fund			
— to			
— to			
— to			
3. Taxable profit			
4. Profit tax rate			
5. Total of profit tax payments for accounting period			
6. Underpaymeht			
7. Overpayment			

Annual balance submission date

General Manager of JV (signature)

Head of Fiscal Control Body (signature)

Chief Accountant (signature)

Seal

Annex 2

APPLICATION

for Return of Tax Deducted from Part of Profit Made and Transferred Abroad by Foreign Partner in Joint Venture

1. Full name of applicant ____________________

____

2. Country of permanent residence and address ____________________

____

Under the Agreement between the USSR and ____________________

____

(full name of country and full title of agreement)

____

of ____19 _ ____, I hereby request a return of the sum paid in tax deducted up on transfer of my part of the JV profit from the USSR:

Name and address of joint venture	Date of profit transfer	Sum on order to transfer (before tax)	Sum of tax	Sum of tax to be returned
1	2	3	4	5

____

I hereby confirm the correctness of the above information and request that the sum to be returned to me should be transferred to Account No. ____________________

____

(name and address of bank)

Date and place of filling

Signature

Seal

In accordance with the Agreement between the USSR and

____

(name of country and full title of Agreement)

of __________ 19 _____, ______________________ of
(name of authorized body)

________________ hereby confirms the following:
(country)

1) The Applicant has permanent residence in __________
(country)

2) Profits made by the Applicant in the USSR are liable to a tax in ____________________
(country)

Date and place of filling

Signature

Seal

Notes:

1. The application is filled in three copies, of which the first is sent to the State Revenues Department of the Ministry of Finance of the USSR, the second is sent to the above-mentioned authorized body in the Applicant's country, and the third is kept by the Applicant.

2. The application shall be submitted to the State Revenues Department of the Ministry of Finance of the USSR before the expiry of one year since the date of withholding the tax. Applications submitted after the expiry of that period are not considered. If so desired by the applicant, one application may refer to several sums to be returned.

3. An application may be filled by proxy, in which case the proxy is expected to present duly certified credentials.

THE STATE BANK
OF THE USSR
No. 1015

THE BANK FOR FOREIGN
TRADE OF THE USSR
No. 149

22 September, 1987

RULES

of crediting and settlements for joint ventures, international associations and organizations of the USSR and other CMEA member countries, as well as joint ventures with the participation of Soviet organizations and firms from capitalist and developing countries

In accordance with the Decisions of the Council of Ministers of the USSR of 13 January, 1987 (Nos 48 and 49) and for the purposes of deepening socialist economic integration, of securing closer amalgamation of the scientific, technological and production potentials of the socialist community countries, of further developing trade, economic, scientific and technical co-operation with capitalist and developing countries, joint ventures, international associations and organizations of the USSR and other CMEA member-countries, as well as joint ventures with the participation of Soviet organizations and firms from capitalist and developing countries (hereinafter referred to as "joint ventures") may be established on Soviet territory.

The present Rules lay down the procedure of settlements and crediting in roubles and foreign currency to meet the requirements of joint ventures arising in the process of production and marketing, as well as financing and crediting for capital investment.

Section 1. **Short-Term Rouble Credits**

1.1. The demand of a joint venture for circulating capital shall be met out of its own resources (authorised capital) and short-term rouble credits granted by banks.

1.2. The capital of a joint venture (in roubles) shall be deposited in its settlement account opened with a banking institution at the place of location of the relevant joint venture, in the balance account of the relevant ministry. A credit to a joint venture shall be given by the bank at the place of its settlement account.

To open a joint account a joint venture shall submit the following documents to the relevant bank:

— the application of a joint venture for opening an account;

— notarized copies of the Agreement between the parties on the establishment of a joint venture and its Charter;

— a notarized copy of the certificate of the Department for State Revenue of the USSR Ministry of Finance confirming the registration of the relevant joint venture;

— a card of notarized samples of signatures and an imprint of the seal.

On the settlement accounts of a joint venture the bank shall pay 0.5 per cent annual interest.

1.3. Short-term rouble credits to a joint venture shall be given by banks for payment and against remaining raw materials, materials of incomplete production, expenditures of future periods, other reserves and outlays of production, against commodities shipped inside the country, the terms of payment for which are still pending, and for opening letters of credit.

A loan against commodities and materials shall be guaranteed by depositing these valuables.

1.4. For the use of a credit a joint venture shall pay interest to the bank at the rate of interest set for the relevant branch of the national economy.

1.5. Credits shall be given from loan accounts. To open a loan account a joint venture shall submit to the relevant bank a statement of obligation (Supplement 1) and an entry balance.

1.6. To determine the credit sum required a joint venture shall submit to the bank a request for next year's credit divided into quarters (Supplement 2).

The credit sum determined by the bank and the joint venture is the credit limit.

In the event of a change in the conditions of production, delivery of raw materials, or marketing, the joint venture shall submit a finalized calculation to the bank.

Banking institutions shall inform the branch-of-industry credit department of a superior bank of the annual credit limits set for joint ventures and divided into quarters.

1.7. Payment under settlement documents for commodities, materials and services and the opening of letters of credit shall be effected from the loan account, if funds on the settlement account within the free credit limit are unavailable. The loan shall be repaid within the periods following from the agreed request for credit or ahead of time on the instructions of the joint venture.

1.8. The security of credit shall be verified monthly under the form of Supplement 4 according to the balance of the joint venture and information (Supplement 3) submitted along with the balance sheet.

1.9. Credit shall be withheld in the following cases:

— against the remainder of finished products intended for delivery to the domestic market in excess of the internal resources allotted to this end except cases of delays in shipments of products because of transportation difficulties or termination of shipment to inaccurate payers;

— against commodities shipped and services rendered under documents, not transmitted to the bank for collection as quarantee of loans within specified periods, as well as those not paid for in good time by buyers;

— against commodities and materials in transit for over 5 months.

1.10. Credit against security surplus shall be granted within the credit limit and used to repay outstanding debts, while the remainder may be forwarded at the enterprise's request to the settlement account.

1.11. An identified shortage of security for a loan shall be presented for recovery from the settlement account and in the absence of funds on the settlement account shall be transferred to the overdue loan repayment account.

1.12. A joint venture which has delayed repayment of bank loans for over two months shall be denied new loans. The incoming revenue shall be used to settle outstanding debts under loans.

In this event the extension of new credits to a joint venture may be resumed on the presentation to the creditor bank of a foreign bank guarantee for the settlement by the joint venture of outstanding and future debts under bank loans.

1.13. The granting of credits to a joint venture for export operations in the event of its direct access to a foreign market (without the mediation of Soviet foreign trade organizations) shall be effected against export commodities in transit inside and outside the USSR, and against sold and unsold export commodities in Soviet ports and warehouses.

Export commodities shall be accepted for crediting for periods varying with the terms of payment stipulated in a contract between the Soviet enterprise and a foreign buyer, or by agreement with a banking institution.

1.14. Crediting of export transactions shall be effected under a separate loan account without limitation.

To open the said account a joint venture shall submit to the relevant bank a statement of obligation according to the form of Supplement 5.

1.15. To guarantee payments for commodities sold to foreign buyers on an installment plan a joint venture shall receive guarantees from foreign banks (as a rule, correspondent banks of the Bank for Foreign Trade of the USSR), and in the event such guarantees are unavailable, guarantees shall be obtained from insurance companies, large firms or the sponsors of the joint venture.

1.16. The banks shall exercise control over the stipulated use, security and timeliness of repayment of credits given to a joint venture, with visits to the relevant locality, if necessary.

* * *

1.17. Soviet participants in international associations and organizations may be given bank credits for a period of up to 3 years for making a contribution to the financial fund of the international association (organization), set up for financing their operations, including expenses for the maintenance of personnel and travelling expenses of specialists in the fields of joint operations.

The said credit shall be granted against a guarantee of a superior organization.

To obtain credit a Soviet participant in an international association (organization) shall submit to the bank an estimate of the demand for credit and its repayment with indication of the income sources.

Section 2. **Financing and Crediting of Capital Investments**

2.1. Designing and capital construction for joint ventures, including the facilities for social purposes, shall be carried out under contracts with internal or borrowed resources. Pending its approval by a joint venture a project shall be agreed in accordance with the procedure laid down by the USSR State Committee for Construction.

2.2. Financing and settlements for capital investments out of internal resources shall be effected from settlement accounts under the established rules of procedure. At the request of a joint venture a bank may open a separate account for the accumulation and spending of funds for the stipulated purposes (on the same balance account as the settlement account).

2.3. When carrying out construction with reliance on credit a joint venture shall conclude a credit agreement (Supplement 6) with a banking institution. The demand for credit shall be specified according to an estimate of the demand for credit to be used for capital investments (Supplement 2a).

2.4. Credit for a joint venture shall be granted in roubles by a banking institution for:

— the construction of production facilities within the limits of the endorsed cost estimate for a period of up to 6 years from the date of granting the first loan, provided the project is implemented and the credit repaid within this period;

— the development of the material and technological facilities in the social sphere to the amount of up to 75 per cent of the cost of construction for a period of up to 6 years from the date of completing the projects with repayment of credit from the total income of the joint venture.

The bank shall control the stipulated use of credit. If credit is used for other than special purposes it shall be withdrawn before the expiry date, and the credit agreement shall be cancelled.

Credit for newly initiated projects shall be withheld in the event of outstanding debts on earlier loans.

2.5. For the use of long-term credit a joint venture shall pay interest to the bank at the rate laid down for the relevant branch of the national economy.

2.6. On completion of the project the debt on a loan shall be formalized in an obligation to repay the loan within a specified period.

Leading executives of a banking institution may grant a deferment of repayment of a debt within the limits of the total period of using a loan.

Section 3. **Crediting in Foreign Currency**

3.1. A joint venture shall meet its demand for foreign currency out of its authorized capital to carry out operations with foreign contracting parties.

A joint venture may use credits in foreign currency drawn under commercial terms from the Bank for Foreign Trade of the USSR or, with its consent, from foreign banks and firms. Credit shall be repaid with returns from marketed export commodities.

3.2. Short-term credits in foreign currency for purchasing raw and other materials, complementary articles and other commodities shall be given by the Bank for Foreign Trade of the USSR for a period of up to 2 years.

3.3. A joint venture may be granted medium-term and long-term credits to pay for imported equipment, machinery, licenses and other commodities, as well as for services required for improving and expanding production. The periods of repayment of these credits shall be stipulated by the Bank for Foreign Trade of the USSR in accordance with the recoupment of projects supported with credit.

3.4. Assets owned by a joint venture, accepted in international practice and based on foreign currency, may be used as security of credit.

In the event of inadequate security credit in foreign currency may be granted against guarantees of the sponsors of a joint venture or against guarantees of foreign banks and firms.

In the event of a debt without security on the part of a joint venture the Bank for Foreign Trade of the USSR shall be entitled to have that debt settled with any sums in foreign currency on the account of the joint venture at the Bank for Foreign Trade of the USSR.

3.5. Credits in foreign currency shall be granted by the Bank for Foreign Trade of the USSR on standard commecrcial terms with interest in foreign currency on the outstanding part of credit indebtedness.

The rate of interest shall be set by the Bank for Foreign trade of the USSR in accordance with the rates prevailing on the world money market for relevant currencies.

3.6. For the credit granted in foreign currency the Bank for Foreign Trade of the USSR shall collect from the debtor 0.5 per cent annual commission on the unused part of the credit.

The debtor enterprise shall reimburse the bank's commission to the Bank for Foreign Trade of the USSR as well as telegraph and other expenses in foreign currency connected with the use of the credit.

In the event of a change in the exchange rate, provided for in the foreign trade contract, which is concluded under a credit scheme, the difference in rates shall be collected at the borrower's expence.

The interest and difference in rates arising during the use of credit shall not be included into the total limit of credit in foreign currency.

3.7. To obtain credit the borrowing enterprise shall submit to the Bank for Foreign Trade of the USSR a request containing the following data:

(a) the purpose, sum and period of credit;

(b) specifications of commodities to be purchased abroad, their cost and the country where they will be bought, and the currency of payment;

(c) the economic effect of using the machinery, equipment, materials and other commodities and licenses and the periods of recoupment of the projects for which credit is requested.

The request of a borrowing enterprise is appended with documents according to the forms of Supplements 8, 9 and 10.

The Bank for Foreign Trade of the USSR may require that the borrowing enterprise submits records on its financial position, as well as additional information about the intended use of credit, its repayment and the efficiency of equipment purchased on credit.

3.8. With an affirmative decision on granting credit in foreign currency the Bank for Foreign Trade of the USSR and the borrowing enterprise shall conclude a credit agreement on the procedure of granting loans in foreign currency, their use, the order of settlements, the rates of interest and the terms of repayment of loans by the borrowing enterprise.

The credit agreement shall be signed for the Bank for Foreign Trade of the USSR by the Chairman of the Board or his Deputy or another authorized executive and for the borrowing enterprise by the director or his deputy.

The text of the standard credit agreement is presented in Supplement 7.

3.9. Credit shall be used in accordance with remittance orders or instructions for opening letters of credit, or in accordance with a communication from a foreign bank about payment to a foreign exporting firm out of the credit given by the latter bank to the Bank for Foreign Trade of the USSR.

3.10. An instruction for remittance of foreign currency abroad (for opening a letter of credit) submitted by a borrowing enterprise to the Bank for Foreign Trade of the USSR shall contain in addition to the standard elements the entry "under credit in foreign currency" and the number of the corresponding loan account of the borrowing enterprise.

3.11. Records of using credits in foreign currency granted to a borrowing enterprise for opening letters of credit and payment for imported commodities shall be kept on a separate loan account.

3.12. In case of failure of a borrowing enterprise to settle its debts under credit within a specified period the Bank for Foreign Trade of the USSR shall examine the causes of such failure and shall be entitled to settle the debts of the borrowing enterprise under credit in foreign currency (principal debt and interest) out of the funds on its foreign currency account.

3.13. When foreign currency is unavailable in the joint enterprise's account, the sum of outstanding indebtedness shall be entered to the account of overdue payments for foreign currency credits with an additional 3 per cent annual interest over and above the rate of interest stipulated in the credit agreement. In such an event the bank may declare all indebtedness under a given credit as liable to urgent repayment and recover an additional 3 per cent annual interest on it, as well as apply recovery to all other funds and include all incoming recepts for the reimbursement of credit.

3.14. The Bank for Foreing Trade of the USSR shall exercise control over the stipulated and efficient use of foreign currency credits. Such control shall be implemented, in particular, by verification on the spot.

3.15. Verification on the spot shall be carried out by the Bank for Foreign Trade of the USSR, as a rule, jointly with representatives of the founders of the borrowing enterprise. Representatives of other Soviet banks may also be invited to take part in verification.

3.16. In the event of systematic violation by the borrowing enterprises of the terms of the credit agreement, the bank's requirements and recommendations, the Bank for Foreign Trade of the USSR, in compliance with the terms of the credit agreement, shall be entitled:

— to suspend the further use of the credit granted;

— to demand repayment by the borrowing enterprise ahead of schedule of all foreign currency credits granted to its earlier.

3.17. The Bank for Foreign Trade of the USSR at the request of a joint enterprise, may give guarantees in accordance with its Charter and the effective rules of the Bank.

Section 4. The Procedure for Settlement

4.1. The settlements of joint ventures involving the participation of socialist countries, international associations and organizations with suppliers and buyers in the USSR shall be made according to the procedure envisaged for internal settlements. Agreements between the parties may provide for the following forms of settlement:

— request of payment (procedure for acceptance is stipulated in an agreement; the corresponding endorsement is made in a request of payment);

— payment orders;

— letters of credit;

— cheques from limited cheque books.

In case the aforementioned joint ventures, international associations and organizations and the marketing of their products are supplied through the mediation of foreign trade organizations, settlements shall be effected according to the procedure envisaged for such settlements with Soviet suppliers of export commodities and Soviet buyers of import commodities.

Settlements of joint ventures involving Soviet organizations and firms from capitalist and developing countries with suppliers and buyers in the USSR shall be effected through foreign trade organizations at world market prices, and for goods and services obtained at domestic market prices — under the procedure envisaged for internal settlements.

4.2. Joint ventures independently operating on foreign markets shall make settlements in export and import operations in accordance with the terms of contracts in the form of collection of payments, documentary letters of credit, bank transfers and in other forms applied in international banking operations.

Joint ventures may operate on foreign markets through the mediation of Soviet foreign trade organizations, and joint ventures with the participation of firms from capitalist and developing countries — through the marketing network of the foreign participants in these ventures.

4.3. To deposit sums in foreign currency and effect international settlements the Bank for Foreign Trade of the USSR shall open at its head offices or subsidiaries foreign currency accounts for joint ventures in accordance with the procedure laid down in Para. 1.2 of the present Rules.

Accounts in foreign currency shall earn interest at the rates set by the Bank for Foreign Trade of the USSR.

4.4. Telegraph and other expenses connected with the fulfilment of orders requested by joint ventures shall be met by them in accordance with their actual cost and in the currency of the payment. The banks recover commission for banking services rendered to joint ventures at the going tariff rates.

* * *

The present Rules shall also be applied in crediting and settlement operations of joint ventures, international associations and organizations with the participation of the socialist countries which are not members of CMEA.

Supplement 1

STATEMENT OF OBLIGATION
(request for a bank account)

To ______________
(name of bank)

From __________________
(name of joint venture)

We, the undersigned hereby, request a loan account to be opened as credit for commodities and materials, production expenses and commodities upon shipment.

We accept as binding the rules and regulations of the Bank concerning the procedure for granting, security and repayment of relevant loans.

As security of the credit received we hereby grant the Bank the mortgage interests to the commodities and materials requested on credit and to be used as security against our indebtedness on the said account. If necessary, recovery may be levied on other property in accordance with the legislation in force.

WE HEREBY UNDERTAKE

– in processing and marketing commodities and materials to clear off the relevant part of indebtedness or replace the valuables removed in an equivalent sum with other valuables corresponding to the kind of valuables in question;

– to submit monthly balance sheets and information on the availability of valuables on credit, as well as other documents required for crediting;

– to clear off indebtedness under a loan in the event of overdue repayment of debts and failure to effect it within a period agreed with the Bank, as well as in the event of reorganization or closure of the joint venture.

The Bank shall be entitled to dispose of mortgaged valuables and use the sums retrieved to settle the debt to the Bank. In the event of insufficiency of the sum received from such disposal for complete settlement of the debt, recovery may also be levied on non-mortgaged commodities and materials belonging to the joint venture under a procedure established by law.

General Manager (signed)
Chief Accountant (signed)
Day _____ Month _____, Year _____

Supplement 2

____
(name of banking institution)

ESTIMATE

of the demand for credit against valuables and production expenses
in 19 _______

____
(name of joint venture)

(thous. roubles)

Item	1st day of month				
	January	April	July	October	January
1. Expected remainder of rated circulating funds					
2. Compensation sources:					
2.1. Internal circulating funds					
2.2. Creditor indebtedness relating to rated circulating funds					
2.3. Credit against cleared remnant of rated circulating funds (1–2.1–2.2)					
3. Demand for credit against shipped commodities with payment date pending					
4. Demand for credit against export operations					
5. Total demand for credit (2.3 plus 3 plus 4)					

General Manager
Chief Accountant

(Chief of Finance Department)

Day____Month_____, Year _____

Credit limit ___________

Director of Banking Institution

Day ___ Month ____, Year_____.

Supplement 2a

____
(name of banking institution)

ESTIMATE

of the demand for credit for capital investments

in 19___________

____
(name of joint venture)

(thous. roubles)

Item	19 ___ account	19 ____ expected fulfilment	19 ___ projected
I. Total expenditures, including:			
1. Construction of production facilities			
2. Development of material and technological facilities for social sphere			
II. Creditor indebtedness (growth plus, decline minus)			
III. Sources of financing (total).			
including:			
1. Remainder of circulating funds by the beginning of the year			
2. Funds for production and social purposes			
3. Other sources			
IV. Long-term credit, including:			
1. Construction of production facilities			
2. Development of material and technological facilities for social sphere			

General Manager of
Association (enterprise) ____________(signed)
Chief Accountant ____________(signed)
Day ___ Month ___, Year ____ Credit limit ________
Director of Banking Institution
Day ______ Month _____, Year ___

Supplement 3

____
(name of joint venture)

____
(name of banking institution)

INFORMATION

on the availability of commodities and materials and production expenditures as of 19_________

(thous. roubles)

Item	Sum
1.1. The actual remainder of material reserves and production costs put on record in toto in the section "Rated Circulating Funds" (excluding wear and tear of objects of little value and low durability and reserve for meeting forthcoming expenses) ____________	

(thous. roubles)

Item	Sum
1.2. Not accepted for crediting (§ 1.9): – valuable in transit exceeding periods established for crediting ____________ – remainder of finished products having no market – –	
1.3 ____________	
2. Actual remainder of rated circulating funds accepted for crediting (1.1 – 1.2 – 1.3)	
3. Internal circulating funds	
4. Creditor indebtedness relating to valuables under credit ____________	
5. Cleared remainder of rated reserves and production costs accepted as security of credit (2 – 3 – 4) ____________	
6. Unused remainder of sums deposited on account upon opening a letter of credit	
7. Commodities shipped and services rendered on settlement documents transferred to the Bank for collection of payments before payment date (380 of balance-sheet)	
8. Total security for comparison with indebtedness (5 plus 6 plus 7)	
9. Remainder of export commodities and export expenditure____________	

General Manager
Chief Accountant
Day _____ Month _______ Year _____

Supplement 4

ESTIMATE

of verification of security of credit

Name of joint venture ______________________________

Name of banking institution ______________________________

(thous. roubles)

Item	1st day of month				
	January	April	July	October	January
1. Security for comparison with indebtedness (see 8 in Supplement 3)					
2. Indebtedness on loan account on date of verifying security ______________________					
3. Results of verifying security: surplus (plus), shortage (minus)					
4. Credit limit set for a quarter					
______________________________					
5. Indebtedness below (minus), above (plus) credit limit (2 – 4)					
6. Possibility of additional loans (3 with sign of plus but not over free credit limit)					
7. Shortage of security ____________					
8. Export commodities (9 in Information)					
9. Indebtedness on loan against export commodities					
10. Surplus of security (plus), shortage (minus)					

Credit Operator
Bank Manager

Day ______ Month ______, Year ______

Supplement 5

APPLICATION

for Opening and Account

To ______________________________
(name of bank)

From ______________________________
(name of joint venture)

We hereby request a separate loan account to be opened in our name for credit on export commodities and services.

We accept as binding the rules and regulations of the Bank concerning the granting, security and repayment of loans made to us.

As security of credit we grant the Bank the mortgage rights to all export commodities owned by us which are in transit, at ports and warehouses in the USSR, as well as to our commodities abroad we have shipped to the addresses of foreign buyers, organizations and individuals.

We hereby guarantee that in case we have no sums in roubles to repay our debt to the bank under its loan we shall remit from our foreign currency accounts at the Bank for Foreign Trade of the USSR upon the payment date a rouble equivalent in your favour in the amount required to clear off the said indebtedness.

General Manager of Joint Venture ______________ (signed)
Chief Accountant ______________ (signed)

Day _____ Month _______, Year _____

Supplement 6

CREDIT AGREEMENT

____
(name of banking institution)

hereinafter referred to as "Bank" and enterprise ____________ (name of joint ____________ venture)
hereinafter referred to as "Client" have concluded the present agreement on granting the Client credit for designing and capital construction of ______________________________
(name of the project)

The total cost estimate in accordance with the project approved ________ is ________ thous.roubles.
(month, year)

Capacity ______________________________
(indicators of output)

Specific capital investments ____________ roubles per unit capacity

Expected sum of annual income ________ thous. roubles

Period of construction: beginning __________
(month, year)

completion __________
(month, year)

Normative period of construction _______ (months)

I.

The Bank undertakes:

1. To open credit in the sum of ____________ thous.roubles with the term of using credit limited to ________________ (normative period of ______________________________ construction plus period of repayment of credit)
months and at ______________ per cent annual interest.

On loans not repayed in due time the Bank recover 8 per cent annual interest. Interest on credit is calculated quarterly.

2. To open loan accounts Nos _______ in roubles for verifying the use of credit, calculating interest and repaying indebtedness under credit.

3. To settle the borrower's indebtedness under the principal debt and recover interest by writing the relevant sums off the borrower's account No. __________.

II.

The borrower undertakes:

4. To implement construction in the period
from ________ (month, year)
to ________ (month, year).

5. To supply design and estimate documents for credit expenditures drawn up and approved according to established procedure.

6. To use credit strictly for designated purposes to implement ______________________________.
(name of project).

To submit to the Bank the requisite information concering the stipulated use of credit, progress reports on equipment assembly, data on the actual efficiency of installed and operating equipment purchased with credit funds.

7. To pay interest for using credit as it builds up at the annual rate of _______ per cent on fixed date loans and 8 per cent on unrepaid loans.

8. To ensure timely and complete repayment of credit in accordance with stipulated periods.

III.

9. Disagreements arising in the process of fulfilling the present agreement shall be examined by the parties in a preliminary procedure to arrive at a mutually acceptable settlement.

10. On establishing facts of using credit for other than stipulated purposes the loan is to be repaid ahead of schedule and the credit agreement shall be declared null and void.

11. The disputes of the parties on questions arising from the present agreement shall be referred to courts of law of the USSR or to an arbitration tribunal by mutual consent.

Director of Banking Institution	General Manager of Joint Venture

Supplement 7

CREDIT AGREEMENT

The Bank for Foreign Trade of the USSR and ________

____

(full name of joint venture)

hereinafter referred to as the "Bank" and the "Borrower" respectively have concluded the present agreement to the effect that the Bank grants credit in foreign currency for implementing projects indicated in the present agreement.

I.

The Borrower undertakes:

1. To implement ________________________________

(name of a project)

____

according to the approved design and technical documents with the following techno-economic indicators:

(a) estimated cost of project ________ thous. roubles,
in particular in foreign currency ________ thous. roubles

(b) annual sum of profit accruing from implementing project credited ________________ thous. roubles

(c) annual sum of foreign currency revenue ________ thous. roubles;

(d) period of implementing project: beginning ________

____

(month, year),
completion ________________________________.

(month, year)

2. To use foreign currency credit for implementing stipulated measures, to submit to the Bank for Foreign Trade of the USSR the requisite information concerning the use of credit.

3. As security of credit to submit to the Bank for Foreign Trade of the USSR mortgage rights to commodities and materials and other valuables in accordance with the legislation in force.

4. To effect repayment of debts in the currency of credit within the following periods: ________________________

____

5. To pay interest in the currency of credit for using credit in the amounts set by the effective instructions of the Bank simultaneously with the next payment under the main debt or along with setting down interest or within the following periods: ________________________________

____

To pay in the currency of credit commission for the obligation in the amount of 0.5 per cent annual interest on the unused part of the credit granted, as well as commission, telegraph and other expenses.

6. In the event of unsettled indebtedness and failure to clear it off within the periods agreed with the Bank, as well as in the event of reorganization or closing-down of the joint venture, to repay the debts under the loan. The Bank for Foreign Trade of the USSR is entitled to dispose of the valubles of security and use the sums retrieved to settle the indebtedness to the Bank. In case the said sum is insufficient for complete repayment of the debt the exaction may be levied on commodities and materials and other valuables other than security which belong to the joint venture in accordance with the procedure laid down by the Soviet law.

II.

The Bank undertakes:

7. To open credit in foreign currency (group and name of currency indicated) for implementing projects ____________

____

in the sum equivalent to ________ thous. roubles to be used in the period of ____________ years and repaid ____________ from the date of the first loan

____

(source of repayment of credit in foreign currency indicated).

Payments for credit after the expiry of its period of use shall not be effected.

To difference between the rates of exchange arising during the use and repayment of credit is referred to the Borrower's account.

Depending on the terms of settlements under a foreign trade contact the opening date of the use of credit shall be the date of remittance by the Bank for Foreign Trade of the USSR of the sums abroad as payment for the commodity purchased, the date of opening by the said Bank of a letter of credit, or the date of payment to the exporting foreign firm from the bank credit.

8. To open to the Borrower loan accounts No. _______ in roubles with the code of the relevant currency for opening letters of credit and payment for imported commodities.

9. To remit sums abroad at the Borrower's request or to use them for payments under letters of credit from the credit granted. Requests should be signed by the authorized representatives, bear the Borrower's seal, indicate the Borrower's relevant loan account opened under the given credit, and bear the notice "from foreign currency credit", as well as the number of the credit agreement with a foreign bank, if necessary.

10. To open credit in foreign currency on standard commercial terms with interest on the outstanding sum of indebtedness under credit at the rate set by the Bank for Foreign Trade of the USSR in accordance with the going rates of the world money market for the relevant currencies. The rates of interest shall be revised and set ________________________

____.

11. To pay interest on credit at the annual rate of _______ on the unsettled sum of the debt. Interest set down on credit accounts shall be referred to the debit side of the loan account.

* * *

In the event of non-repayment by the borrowing enterprise of its indebtedness under credit within stipulated periods the Bank for Foreign Trade of the USSR shall effect repayment of the debt of the said enterprise in foreign currency (main debt and interest) from the funds on its foreign currency account.

In the event of failure to pay the next installment as repayment of credit, the sum not paid in due time shall be transferred to the overdue payment for credit account on which the Borrower pays an additional 3 per cent annual interest over and above interest on credit. In this case the Bank may declare all unsettled indebtedness under credit as due to be repaid immediately and exact an additional 3 per cent annual interest on it.

With the failure of the borrowing enterprise to meet the conditions of the credit agreement and the bank requirements the Bank for Foreign Trade of the USSR may apply the following sanctions:

— to suspend the further use of the credit granted;

— to exact ahead of schedule all the sums of indebtedness under the credit granted;

— to levy exaction ahead of schedule on all foreign currency credits earlier granted and on all the other funds and use all of the revenue thus received as repayment of credit.

All disputes arising in the process of fulfilling the terms of the present agreement shall be examined by the parties under a preliminary procedure for working out a mutually acceptable settlement.

With failure to reach agreement a dispute shall be examined under the procedure envisaged in Soviet legislation in force or by an arbitration tribunal.

The present agreement is concluded in Moscow, in two copies, on_______ (day), _______ (month), ______ (year).

FOR THE BANK	FOR THE BORROWING ENTERPRISE
President (Vice-President) of the Board	General Manager (Deputy Manager) of Joint Venture

Supplement 8

ESTIMATE

of recoupment of foreign currency expenditure on credit from the Bank for Foreign Trade of the USSR

____
(full name of joint venture)

1. Project for crediting ____________________

____

2. Total expenditure under approved estimate plan ________
________ thous. roubles

3. Time of commissioning project ________ month, year

4. Deadline for repayment of credit ____________________

5. Sum of credit requested ____________ thous. roubles

6. Contemplated additional annual output of products for export (physical indicators) ____________________

7. Cost of contemplated additional annual output of products at export prices ____________ thous. roubles

8. Annual sum of foreign currency returns used to repay credit
____________________ thous. roubles

9. Annual total of foreign currency returns used to repay credit
____________________ thous. roubles

10. The period of recoupment of the foreign currency share of the expenditures from credit (line 5 divided by line 9 and multiplied by 12) ____________ months

11. Total sum of foreign currency revenue used to repay foreign currency credit, total ____________ thous. roubles, in particular, by the years:

(thous. roubles)

19___	19___	19___	19___	19___	19___

General Manager of Joint Venture
Chief Accountant

Supplement 9

CERTIFICATE-ESTIMATE

of expected foreign currency revenue from exported commodities

Name of commodity	Unit of measurement	Quantity of commodities	Price in roubles per unit of product	Periods of delivery of export commodities	Periods of receipt of foreign currency	Revenue, thous. roubles	Notes

General Manager of Joint Venture
Chief Accountant

Supplement 10

ESTIMATE

of periods of using and repaying foreign currency credit opened by the Bank for Foreign Trade of the USSR and payment of interest on credit

(thous. foreign currency equivalent
roubles)
Credit limit ____________________

Rated of interest on credit ________________

	Periods of using and repaying credit	
	Years (months)	Total
1. Sum of indebtedness under credit at the beginning of the year		
2. Sum of credit used		
3. Sum of principal debt		
4. Sum of interest on credit		
5. Total indebtedness under credit		
6. Sum in foreign currency used to repay indebtedness and interest on credit		
7. Sum of indebtedness under credit at the end of the year		

General Manager of Joint Venture
Chief Accountant

THE MINISTRY OF FINANCE OF THE USSR

February 12, 1987 No. 34

INSTRUCTIONS

FOR REGISTRATION OF JOINT VENTURES, INTERNATIONAL ASSOCIATIONS AND ORGANIZATIONS ESTABLISHED ON THE TERRITORY OF THE USSR WITH THE PARTICIPATION OF SOVIET AND FOREIGN ORGANIZATIONS, FIRMS AND MANAGEMENT BODIES

I. General Provisions

1. The present Instructions define the procedure for registering joint ventures and international associations and organizations established on Soviet territory in accordance with Decision of the Council of Ministers of the USSR No. 48 of January 13, 1987, "On the Establishment on the Territory of the USSR and the Functioning of Joint Ventures and International Associations and Organizations of the USSR and Other CMEA Countries", and Decision of the Council of Ministers of the USSR No. 49 of January 13, 1987, "On the Establishment on the Territory of the USSR and the Functioning of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries".

2. Registration shall be obligatory for joint ventures and international associations and organizations established on the territory of the USSR with the participation of Soviet and foreign organizations, firms and management bodies, as well as branches of joint ventures and organizations.

3. Government, cooperative and other not-government enterprises and economic organizations shall not make business deals or conclude contracts with joint ventures and international associations and organizations prior to their registration.

Soviet banks shall open current and settlement accounts for joint ventures and international associations and organizations, pay out money and perform crediting and settlement operations only upon registration of said joint ventures and international associations and organizations in keeping with the established procedure.

4. Registration shall be performed by the State Revenues Department of the Ministry of Finance of the USSR.

5. Registration shall be effected on the basis of an application in writing and copies of the following documents certified by a notary public:

a) in the case of joint ventures and international associations and organizations of the USSR and other CMEA countries:

— an interstate or intergovernmental agreement on the establishment of joint ventures and international associations and organizations;

— in the case of founding a joint venture, an extract from the corresponding decision of the Council of Ministers of the USSR; in the case of founding an international association or organization, and extract from the corresponding decision of the respective permanent body of the Council of Ministers of the USSR;

— constituent instruments;

b) in the case of joint ventures established with the participation of Soviet organizations and firms from capitalist and developing countries:

— an extract from the decision of the Council of Ministers of the USSR concerning the establishment of the joint venture;

— constituent instruments;

c) in the case of branches of joint ventures and organizations:

— constituent instruments of the joint venture or organization;

— the statute of the branch endorsed by the highest body of the joint venture or organization.

The general registration procedure shall be applicable to branches, set up on the territory of the USSR, of joint ventures and organizations established with. the participation of Soviet organizations in other countries.

Joint ventures and international associations and organizations shall also be obliged to present, at the request of the State Revenues Department of the Ministry of Finance of the USSR, other documents confirming information entered in the register.

An application for registration filed by a joint venture and by an international association or organization shall indicate a person authorized to present all information necessary for registration to the Ministry of Finance of the USSR.

6. Joint ventures and international associations and organizations shall dully inform the Ministry of Finance of the USSR of all amendments in the constituent instruments and other changes or addenda subject to registration.

7. The State Revenues Department of the Ministry of Finance of the USSR shall inform the fiscal control body which monitors the settlement of accounts of a given joint venture with the state budget about registration of said joint venture.

8. The present Instructions, which define the procedure for registration and liquidation of joint ventures and international associations and organizations, shall extend to branches of joint ventures and organizations, as well as joint ventures and international associations and organizations set up on the territory of the USSR with the participation of Soviet organizations and those from socialist countries that are not members of the CMEA, in which case the State Commission for Foreign Economic Relations of the Council of Ministers of the USSR shall indicate the specifics that have to be taken into account in applying the Decisions of the Council of Ministers of the USSR mentioned in Item 1 of the present Instructions.

II. Registration Procedure

9. Having made sure that the documents submitted for registration are complete and correct, the State Revenues Department of the Ministry of Finance of the USSR shall register the joint venture, and international association or organization. For each of these, a registration form is filled out and filed in the register book (see Annexes 1, 2, 3 and 4 to the present Instructions).

Upon registration a joint venture, an international association or organization shall be issued a certificate signed by the Head of the State Revenues Department of the Ministry of Finance of the USSR or his deputy and bearing the seal of the State Revenues Department (see Annex 5 to the present Instructions).

On the basis of said certificate, the joint venture, international association or organization shall announce its foundation in the press. Information entered in the register and published shall be regarded as known to third parties; no disputes in this connection shall be considered by the Ministry of Finance of the USSR.

Data related to changes subject to registration shall be entered in the register in accordance with the procedure established for recording all other relevant information.

Each entry in the register, as well as all changes and addenda, shall be signed by the Head of the State Revenues Department of the Ministry of Finance of the USSR or his deputy and be attested by the seal of the State Revenues Department.

10. All the sheets in the register book shall be numbered and corded: each shall bear the seal of the State Revenues Department of the Ministry of Finance of the USSR and the signature of the Head of the State Revenues Department or his deputy.

Each entry in the register shall be made in an abbreviated form and contain a reference to the documents on the ground of which the entry is made. Each correction shall be attested.

11. Registration forms of joint ventures, international associations and organizations shall be filed in separate register books. Book I shall be for joint ventures set up with the participation of Soviet and foreign organizations, firms and management bodies; Book II shall be for international associations of the USSR and other CMEA countries; Book III shall be for joint organizations of the USSR and other CMEA countries; Book IV shall be for branches of joint ventures and organizations.

12. In case of liquidation, joint ventures and international associations and organizations shall send a notification to the State Revenues Department of the Ministry of Finance of the USSR. Liquidation shall be registered on the grounds of an extract from the Protocol of a session of the highest body of the legal entity being liquidated or an extract from a corresponding decision of the Council of Ministers of the USSR.

In cases of liquidation, registration forms of joint ventures and international associations and organizations shall be returned to the State Revenues Department of the Ministry of Finance of the USSR; the return of each registration form shall be attested by an entry in the register..

13. All documents presented for registration shall be kept in a separate file at the State Revenues Department of the Ministry of Finance of the USSR.

14. In case of a loss of a registration form a copy shall only be issued at request of the highest body of a given joint venture, international association or organization.

15. Fiscal control bodies shall be authorized by the Ministry of Finance of the USSR to check if information entered in the register corresponds to that contained in the constituent and other documents of joint ventures and international associations or organizations.

Annex 1

REGISTER

of Joint Ventures Established in the USSR with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies

Register No. ____________ Register sheet No. ____________

Name of joint venture ____________

Date of registration ____________

No. and date of entry	Agreement on establishment of joint venture	Decision to set up joint venture; endorsers of constituent instruments; date of endorsement	Soviet Partner; a body Soviet Partner reports to	Foreign Partner; address of foreign Partner's main office	Area of business	Amount of authorized fund; shares of Partners	Address of joint venture	Branches of joint venture in the USSR	Information on liquidation
1	2	3	4	5	6	7	8	9	10

Annex 2

REGISTER
of International Associations of the USSR and Other CMEA Countries

Register No. ______________________ Register sheet No. ______________________

Name of international association ______________________

Date of registration ______________________

No. and date of entry	Agreement on establishment of international association	Decision to set up international association; endorsers of constituent instruments; date of endorsement	Soviet Partner; a body Soviet Partner reports to	Foreign Partner; address of foreign Partner's main office	Area of business	Amoint of monetary fund; shares of Partners	Address of international association	Information on liquidation
1	2	3	4	5	6	7	8	9

Annex 3

REGISTER
of Joint Organizations of the USSR and Other CMEA Countries

Register No. ______________________ Register sheet No. ______________________

Name of joint organization ______________________

Date of registration ______________________

No. and date of entry	Agreement on establishment of of joint organization	Decision to set up joint organization; endorsers of constituent instruments; date of endorsement	Soviet Partner; a body Soviet Partner reports to	Foreign Partner; address of foreign Partner's main office	Area of business	Amount of monetary fund; shares of Partners	Address of joint organization	Branches of joint organization in the USSR	Information on liquidation
1	2	3	4	5	6	7	8	9	10

Annex 4

REGISTER
of Branches of Joint Ventures and Organizations, Established in the USSR with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies

Register No. ____________ Register sheet No. ________

Name of branch ________________________

Name of joint venture (organization)
running branch ________________________

Date of registration ________________________

No. and date of entry	Constituent instrument; endorsers of branch regulations; date of endorsement	Area of business	Address of branch	Information on liquidation
1	2	3	4	5

Annex 5

The Ministry of Finance
of the USSR
THE STATE REVENUES DEPARTMENT

________________19______

9 Kuibyshev St.,
103097,
Moscow K-97,
USSR

CONFIRMATION NOTE

It is hereby confirmed that on ____________19 ____
(date of registration)

the State Revenues Department entered ________________
(name of legal entity

____
(registered)

in ____
(name of register)

register No. ________________________________

Seal Head of State Revenues Department

(signature)

MINISTRY OF FINANCE OF THE USSR

REGULATIONS

FOR INSURANCE OF PROPERTY AND INTERESTS OF JOINT VENTURES

I. General Provisions

1. The present Regulations define the procedure for the insurance of joint ventures, as well as international associations and organizations set up in accordance with the Decision of the Council of Ministers of the USSR No. 48 of January 13,1987 "On the Procedure for Setting up on Soviet Territory and the Functioning of Joint Ventures, International Associations and Organizations of the USSR and Other CMEA Countries", and the Decision of the Council of Ministers of the USSR No. 49 of January 13, 1987 "On the Procedure for Setting up on Soviet Territory and the Functioning of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries".

2. Subject to insurance shall be the property and property interests of joint ventures, international associations and organizations set up on the territory of the USSR with the participation of Soviet and foreign organizations, firms and administrative bodies, as well as branches of joint ventures and organizations.

3. The property and property interests of joint ventures shall be insured with the USSR Insurance Company (Ingosstrakh).

II. Types of Insurance

4. Insurance shall cover the following property and property interests of joint ventures:

4.1. The fixed assets owned or rented by joint ventures, in which case:

4.1.1. the fixed assets owned or rented by a joint venture shall be insured against all construction risks and all erection and assembly risks for the period of putting up buildings and structures, and assembling the plant;

4.1.2. following the commissioning of facilities, the fixed assets owned or rented by a joint venture shall be insured against fire and natural calamities.

4.2. Part of circulating assets, namely, stocks of raw materials, as well as semi-finished and finished products, which shall be insured against fire and natural calamities.

4.3. Losses because of idle periods caused by fires.

4.4. Civil liability of joint ventures in cases of:

4.4.1. damaging the health or property of Soviet employees of joint ventures while on the job;

4.4.2. polluting the environment;

4.4.3. damaging the health or property of third parties;

4.4.4. damages caused by motor vehicles owned by joint ventures.

5. In addition to the above and depending on the nature of joint venture's activities, Ingosstrakh shall offer the following types of insurance:

5.1. Insurance of machinery and equipment against failures and insurance against losses because of idleness caused by plant failures.

5.2. Insurance of goods in transit.

5.3. Insurance of property and goods from burglary.

5.4. Insurance from floods.

5.5. Insurance of electronic equipment.

5.6. Insurance of domestic animals.

5.7. Insurance against other risks related to the specifics of the joint venture's economic performance including storage and transportation of products under special conditions, special types of liability, etc.

6. The types of insurance mentioned in Para. 5 shall be effected by joint ventures at their own discretion.

III. Insurance Procedure

7. An insurance contract shall be formulated in an insurance policy signed by authorized representatives of Ingosstrakh and a joint venture on the basis of an application in a written form for insurance which joint ventures shall submit to Ingosstrakh within the following periods:

7.1. In the case of insurance according to Para. 4.1.1., one month before the beginning of construction or assembly operations.

7.2. In the case of insurance according to Paras 4.1.2., 4.2., 4.3 and 4.4.2., one month prior to commissioning of buildings and equipment.

7.3. In the case of insurance according to Para. 4.4.4., at least three days before a motor vehicle is put on the road.

7.4. In the case of insurance according to Paras 4.4.1. and 4.4.3., within one month from the registration of a joint venture, an international association or branches thereof.

8. An application for insurance shall be drawn up according to an established form and shall be an integral part of the insurance contract. A joint venture shall be responsible for the correctness of information presented in its application in accordance with the rules and terms of insurance.

9. Joint ventures shall comply with Ingosstrakh's request in regard to sypplying additional information, such as layouts of individual buildings and facilities, data on the availability and location of fire prevention, fire fighting and fire alarm systems, and other information necessary for the evaluation of the degree of risk.

10. Upon considering a joint venture's application for insurance, Ingosstrakh shall send to the joint venture a draft of the insurance policy specifying the rules and terms of insurance, insurance payments, limits of Ingosstrakh's liability, the period covered by the insurance policy, the cost of insurance (the insurance premium) and other relevant data. The draft of the insurance policy shall be drawn up within 14 days from receipt of all the necessary information from the joint venture; it shall be signed by authorized officials of Ingosstrakh.

11. Within 30 days from receipt of the draft of the insurance policy, the joint venture shall send to Ingosstrakh one copy of that document, signed by its authorized executives, whereupon the insurance policy (contract) shall be regarded as taking effect; if the joint venture does not wholly agree with the draft, it shall communicate its comments and suggestions to Ingosstrakh officials.

12. In the latter case Ingosstrakh shall consider said comments and suggestions and send to the joint venture an amended version of the draft to be signed by the joint venture's authorized executives within 30 days from the date of receipt thereof.

13. Insurance against risks mentioned in Paras 5.1. through 5.7. shall be effected on the basis of an application for insurance in the form of a letter, telex or telegram containing information required for drawing up an insurance policy. For example, an application for insurance of goods in transit according to Para. 5.2. shall specify the type of cargo, the type of packaging, the quantity and weight of goods, the point of departure, the type of waybill (a bill of lading, a rail waybill, a motor waybill, etc.), the sum insured, and the terms of insurance.

Within three days from receipt of an application containing all the above information, Ingosstrakh shall draw up a cargo insurance policy and send its original plus a debit note for payment of the insurance premium to the joint venture.

14. Joint venture shall be obliged to inform Ingosstrakh about all essential changes in insured property, insured sums, and the degree of risk. Changes of this type shall entitle Ingosstrakh to reconsider the terms of insurance or demand an additional insurance premium.

15. Changes introduced into the insurance contract after it has been signed shall be formulated in an addendum to be signed by representatives of Ingosstrakh and become an integral part of the insurance contract and insurance policy.

16. A failure on the part of a joint venture to pay the insurance premium within the period specified by the insurance policy shall invalidate the insurance contract in what it conçerns the liabilities of Ingosstrakh.

17. The procedure for making claims against Ingosstrakh in regard to the types of insurance according to Paras 4 and 5, and the procedure for considering and allowing claims shall be specified by the Rules and terms of insurance which shall be an integral part of the insurance contract.

If a claim is allowed, the claimant shall be refunded in the currency stipulated by the insurance contract and used in the payment of the insurance premium.

DRAFT OF AGREEMENT

on Setting Up and Functioning of Joint Venture

________________________________ is set up
(name of joint venture)

________________________________ being a legal
(name of Soviet Partner)

person under Soviet law and

________________________________ being a legal
(name of foreign Partner)

person under ________ law

The Parties to this Agreement will be further referred to as Partners.

§ 1

The Purpose and Objective of Joint Venture

1. The purpose and objective of the joint venture shall be the production and sales of marketable products ____________ (name of product or products) ____________ in order to make profits for the Partners.

2. The joint venture's products shall be primarily intended to meet the demand for such products in the Partners' countries; they are also intended to satisfy the joint venture's requirements for freely convertible currency.

3. After the joint venture has been registered with the Ministry of Finance of the USSR, the Partners shall undertake to do all they can to raise the output to about ________________ ________ within at least _______ months.

4. The Partners shall agree upon a production programme and make plans for a subsequent expansion of the production.

5. In accordance with the production, financial and other plans of the joint venture, its financing shall be fully based on the principles of self-supporting, self-recoupment and self-financing in Soviet and foreign currencies.

6. The joint venture's financial plan shall be drawn up for every calendar year and indicate its incomes and expenditures in roubles and freely convertible currency.

§ 2

The Name and Address of Joint Venture

1. The name of the joint venture is
in Russian __________________
in the foreign Partner's language ___________________

2. The address of the joint venture:
No., Street
City
USSR
Telephone:
Telex:

§ 3

The Legal Status

1. The joint venture shall be a legal person under Soviet law. It shall be established and functions according to Soviet law and, more specifically, according to the Decree of the Presidium of the Supreme Soviet of the USSR of January 13, 1987" On Questions Related to the Setting Up on Soviet Territory and the Functioning of Joint Ventures, International Associations and Organizations with the Participation of Soviet and Foreign Organizations, Firms and Management Bodies", the Decision of the Council of Ministers of the USSR No. 49 of January 13, 1987 "On the Procedure for Setting Up on Soviet Territory and the Functioning of Joint Ventures with the Participation of Soviet Organizations and Firms from Capitalist and Developing Countries", as well as the present Agreement and the joint venture's charter. The present Agreement shall have pre-emptive legal force before the joint venture's charter.

§ 4

The Authorized Fund

1. The joint venture shall form an authorized fund composed of contributions made by the Partners.

2. The authorized fund of the joint venture shall amount to

__________ roubles.

(sum in words, including ____________ in freely convertible currency).

3. The Partners' shares of the authorized fund:
The share of the Sovient Partner shall be 51 per cent, or _______ roubles.
The share of the foreign Partner shall be 49 per cent, or _______ roubles.

4. Decisions in regard to changes in the authorized fund shall be made by the Board of Governors, which is the joint venture's highest managerial body. The authorized fund may be built up by using profits accruing from the operation of the joint venture and, if necessary, by adding to it fresh contributions of the Partners.

5. With mutual consent, the Partners' contributions to the joint venture's authorized fund may include property and rights

____ as well
(enumeration of basic types of property and basic rights),

as sums of money placed to the joint venture's current account with the Bank for Foreign Economic Affairs of the USSR or the State Bank of the USSR. By a unanimous decision of the Board of Governors, the Partners' contribution shall be made either by installments or in one lump, depending on the joint venture's requirements.

6. The property contributed by the Partners to the authorized fund of the joint venture shall be evaluated with reference to mutually agreed prices and with due regard for world market prices.

§ 5

Calculation and Distribution of Profits and Losses, and Formation of Funds

1. After depreciation deductions, the profits made by the joint venture shall be used to form the joint venture's funds and settle the accounts with the state budget of the USSR.

2. The remaining net profit shall be divided between the Partners in proportion to their contributions to the authorized fund.

3. The joint venture shall have the right to convert the sum due to the foreign Partner to ________ (name of currency) and transmit the respective profit to the said foreign Partner four weeks after the Board of Governors endorses the balance-sheet, provided the joint venture has hard currency on its bank account.

4. The joint venture's losses shall be covered by its reserve fund. If the latter is insufficient to cover the losses, decisions on its financing shall be made by the Board of Governors, which can go as far as reducing the authorized fund.

§ 6

Joint Venture's Managerial Bodies

1. The joint venture's managerial bodies shall be:
— the Board of Governors;
— the Board of Directors;
— the Auditing Commission.

2. The joint venture's highest body shall be the Board of Governors. It shall consist of five members, each familiar with the joint venture's respective line of business.

The Board of Directors shall consist of Soviet and foreign citizens. The General Director shall be a Soviet citizen.

3. The joint venture's routine operations shall be controlled and decisions of the Board of Governors shall be carried out by the Board of Directors headed by the General Director.

The General Director shall be appointed on the Soviet Partner's initiative by the Board of Governors by unanimous decision; the General Director's Deputy shall be appointed in the same manner on the foreign partner's initiative. The General Director shall control the day-to-day operations of the joint venture on a one-man management basis within the competence and rights defined by the joint venture's charter and by decisions of the Board of Governors.

4. The financing and operation of the joint venture shall be monitored by the Auditing Commission appointed by the Board of Governors.

5. The functions and objectives of the joint venture shall be formulated in its charter.

§ 7

Partners' Obligations to the Joint Venture

For the setting up and promotion of the joint venture, the Partners shall undertake the following additional obligations:

1. The Soviet Partner shall undertake to assist the joint venture

by leasing to it additional floorspace for manufacturing, storage and other facilities;

by leasing to it plots of land for the construction of new buildings;

by hiring personnel, including engineers and specialists;

by providing, on the basis of contractual prices, the required infrastructure, including utilities and means of transportation;

by providing ample telephone and telex connections for direct communication with other countries;

by ensuring smooth customs inspection procedures;

by giving visa support to foreign members of the Board of Governors and foreign personnel of the joint venture, by facilitating the issuance of labour permits, by arranging trips of foreign employees inside the USSR, and by providing them with accommodation according to international standards;

2. The foreign Partner shall undertake to assist the joint venture

by preparing a design and specifications for the joint venture;

by marketing the joint venture's products outside the USSR in an amount sufficient to compensate for the joint venture's hard currency spending;

by continuously improving the production technologies and updating the joint venture's products in accordance with long-term development plans.

3. The Partners shall undertake to promote the marketing of the joint venture's products and to make it self-supporting in what concerns convertible currency.

§ 8

Personnel

1. The personnel of the joint venture shall consist for the most part of Soviet citizens.

2. The management of the joint venture shall conclude a collective agreement with a trade union organization set up at its facilities. The contents of such an agreement, including provisions for meeting the social needs of the employees, shall be in keeping with Soviet legislation and the joint venture's charter.

3. The working conditions, pay and social rights of the employees of the joint venture shall be in keeping with the Law on the State Enterprise.

4. Foreign employees shall conclude contracts of employment with the joint venture for a period of up to .... years.

5. Foreign employees of the joint venture shall be provided with accommodation, utilities and medicare as stipulated in agreement with foreign citizen.

§ 9

Logistics and Marketing

1. The logistical support of the joint venture with resources of Soviet origin shall be effected by the All-Union Association ____________________; payment shall be effected in roubles on the basis of contractual prices with due regard for world market prices. The logistical support with resources from other countries shall be maintained through ____________; payment shall be effected in freely convertible currency on the basis of world market prices.

2. Inside the USSR, the joint venture shall market its products through Soviet foreign trade organizations.

Outside the USSR, the joint venture shall market its products through the distributive network of the foreign Partner, Soviet foreign trade organizations, and other organizations.

3. The joint venture may have its own shops on the territory of the USSR with consent of the local authorities in order to sell its products to Soviet consumers.

4. Products manufactured with the use of the foreign Partner's models and technologies shall bear the trademark of the foreign Partner: in other cases the joint venture may use its own trademarks.

§ 10

Confidentiality of Data

1. According to the present Agreement, each Partner shall pledge to keep secret all technical, financial, commercial and other information obtained from the other Partner and take all necessary measures to avoid disclosure of that information.

2. Information of the types mentioned above shall not be communicated to third parties, published or otherwise divulged without the consent of the second Partner, including the period of five years after the termination of the Present Agreement, irrespective of the cause of termination.

3. The scope of confidential information shall be determined by the Board of Governors.

§ 11

Insurance

1. The property of the joint venture shall be subject to obligatory insurance with the Soviet insurance company Ingosstrakh.

§ 12

Checking and Accounting

1. Each Partner shall have the right to obtain information on all matters related to the activities of the joint venture. Each Partner shall have the right at any time to check documentation and inspect property of the joint venture.

2. The Board of Governors and the Board of Directors shall comply with requests of each Partner in regard to obtaining any information on all business activities of the joint venture.

3. The joint venture shall present to the Partners and the Board of Governors accounts of the financial and economic state of the joint venture, including a balance-sheet and a profit-and-loss account with explanatory notes.

§ 13

Breach of Agreement

In case one of the Partners fails to fulfil or improperly fulfils his obligations under the present Agreement he shall compensate for the losses the other Partner sustains as a result of the first Partner's failure to fulfil or improper fulfilment of his obligations.

Compensation shall cover direct losses, such as unnecessary expenditures and loss or damage of property as a result of the other Partner's breach of agreement. Indirect losses and loss of profit shall not be compensated for.

The amount of compensation shall be determined for each particular case, but shall not exceed the sum of ____________.

§ 14

Force Majeure

1. The Partners shall be exempted from the non-fulfilment of their obligations in full or in part under the present Agreement if their failure to fulfil their obligations is caused by an extraordinary event or occurrence that cannot reasonably be anticipated or controlled, such as earthquakes, floods, fires, strikes, government decisions or orders coming from state organs.

2. The Partner faced with force majeure circumstances shall immediately inform the second Partner in writing about the situation; at the second Partner's request the former shall present a vindicatory document issued by the Chamber of Commerce of a given country.

The information thus communicated by the first Partner to the second shall give a clear idea of the situation and, if possible, shall contain an evaluation of the effects the force majeure circumstances may have on the fulfilment by the Partners of their obligations under the present Agreement and on the time it may take them to do so.

3. Under the present Agreement, the Partner whom force majeure circumstances prevent from fulfilling his obligations shall do his utmost to compensate for his failure to fulfil his obligations as soon as possible.

4. The Partner faced with force majeure circumstances shall inform the second Partner in writing and without delay about termination of the force majeure situation.

In doing so, the former shall indicate a date by which he intends to fulfil his obligations under the present Agreement. Unless the former Partner fails to send such a notification to the latter Partner or sends it behindhand he shall compensate for the losses sustained by the latter Partner as a result of the former Partner's failure to duly notify the latter.

5. If a force majeure situation arises, the fulfilment of the Partners' obligations under the present Agreement shall be postponed until the termination of the force majeure situation and its aftereffects.

6. If a Partner is unable to fulfil his obligations under the present Agreement for more than six months and if he cannot foresee the termination of the force majeure situation within less than six months, both Partners shall be free to rescind this Agreement without notice; the Agreement shall be regarded as cancelled as soon as one of the Partners informs the other about his decision to withdraw.

§ 15

Arbitration

1. The Partners shall do their best to settle all disputes that may arise in connection with the present Agreement in an amicable manner through negotiations.

2. If a dispute cannot be settled between the Partners, each of them shall be entitled to bring any controversial issue in connection with this Agreement to the Court of Arbitration which will pass a final decision. The Court of Arbitration shall consist of one or more arbitrators appointed in accordance with the Statute of Arbitration Courts and Amicable Settlement Courts of the International Chamber of Commerce. The Arbitration Court sits in Stockholm and acts in accordance with Swedish substantive and procedural law.

§ 16

The Term of Operation and Termination of Joint Venture.

The Agreement Cancellation Procedure

1. The present Agreement is concluded for a period of .... It can be cancelled by any of the Partners at .... notice by December 31 of a given year, but not before December 31 of the year ....

2. The Partners in the joint venture shall have the right to rescind this Agreement without notice:

— if, despite a notification in writing, the other Partner violates essential provisions of the present Agreement and thus hinders operation of the joint venture, and if the latter does not remedy the situation within .... days since receipt of the notification;

— if the authorities directly or indirectly restrict the rights of one of the Partners, such as the right to transfer property and profits, or set a limit to the number of employees he wants to hire, thus making it impossible for him to fulfil his obligations under the present Agreement;

— if force majeure circumstances arise (see Para. 14).

3. A Partner who decides to rescind this Agreement shall inform the second Partner of his decision by a registered letter.

4. Cancellation of the present Agreement shall invalidate the Charter of the joint venture.

5. The present Agreement shall be invalidated upon liquidation of the joint venture or withdrawal of one of the Partners from the joint venture.

§ 17

Enforcement of the Agreement

1. The present Agreement shall come into force upon registration of the joint venture with the Ministry of Finance of the USSR.

2. The Partners shall immediately inform each other of the fact of registration or obstacles that bar registration.

§ 18

Miscellaneous

1. Each Partner shall bear his expenses in connection with the establishment of the joint venture. Other expenses, including registration expenses, shall be borne by the joint venture.

2. The joint venture's working language shall be Russian.

3. Correspondence shall be addressed to:

a) address of Soviet Partner ______________________

b) address of foreign Partner ______________________

4. Important messages from one Partner to the other shall be considered as delivered if they are sent by a registered letter to one of the above addresses and if their content is simultaneously communicated by a telex.

If one of the Partners changes his address, he shall inform the other Partner about the change before he moves to the new address.

§ 19

Concluding Provisions.

1. The Partners shall be entitled to transfer their rights and obligations under the present Agreement to third parties, provided the other Partners give their consent in writing.

2. Attached to the present Agreement are the following Annexes which shall be an integral part of the former:

— Charter of the joint venture;

— Agreement on transfer ....;

— Agreement on ....;

— Annexes itemizing property contributed by each Partner to the authorized fund of the joint venture with an indication of the sums of money contributed by each Partner to that fund and the value of each item of property, determined on the basis of contractual prices with due regard for world market prices.

3. Changes in, and additions to, the present Agreement shall be put on record and signed by representatives of each of the Partners.

4. An invalidation of one of the clauses of this Agreement shall not be the reason for invalidating all the other clauses. An invalid clause shall be replaced by a legally acceptable one accurately conveying the meaning of the invalidated clause.

5. Done in Moscow on .... 19 ..... in two copies, Russian and __________ both texts having equal force.

On behalf of Soviet Partner

On behalf of foreign Partner

DRAFT OF THE CHARTER of Joint Venture Established on Soviet Territory

§ 1

Name, Location and Line of Business

1. The name of the joint venture is
   in Russian
   in the language of the foreign Partner. ______________
2. The address of the joint venture: ________________
   ______________, USSR.

3. The joint venture's line of business is the manufacture and marketing of ______________________ (names of products) and various related components.

§ 2

The Legal Status

1. The joint venture shall be a legal person in the USSR and shall operate in accordance with Soviet legislation.

2. The joint venture shall acquire the rights of a legal person as soon as it is registered with the Ministry of Finance of the USSR.

3. The joint venture shall be entitled, in its own name, to own, use and dispose of its property in keeping with the purpose of that property and its line of business, as well as conclude agreements and contracts, acquire, lease or alienate property, and appear as plaintiff or defendant in the courts of law or arbitration courts.

4. The Partners in the joint venture shall have no special rights to property items owned by the joint venture, including items that are part of their contribution to the joint venture's authorized fund.

5. The property of the joint venture shall be evaluated on the basis of world market prices.

6. The joint venture shall have the right to conduct independent export and import operations necessary for its economic activities.

7. The joint venture shall be liable for its obligations within its property, against which recovery may be made under Soviet law.

8. The joint venture shall not be held liable for obligations of the Partners therein and their countries, just as the Partners in the joint venture and their countries shall not be held liable for obligations of the joint venture.

9. The joint venture shall conduct its operations in compliance with Soviet legislation, the Agreement on the Establishment and Functioning of the Joint Venture, and the present Charter.

10. The joint venture shall have a seal whose pattern shall be unanimously endorsed by the Board of Governors.

§ 3

The Authorized Fund

1. The authorized fund shall be formed for the establishment and operation of the joint venture. It shall amount to ____________________ roubles (sum in words), including ___ ______________ in freely convertible currency.

2. The Soviet Partner in the joint venture shall account for at least 51 per cent of the authorized fund; the foreign Partner shall own no more than 49 per cent of that fund.

3. The monetary contribution of the Soviet Partner to the authorized fund shall be made in roubles; that of the foreign Partner shall be made in hard currency at the official exchange rate of the State Bank of the USSR on the day of payment.

4. With mutual consent of the Partners, their contributions to the joint venture's authorized fund may include buildings, structures, equipment, etc., as well as property rights, including the rights to the use of inventions and know-how.

The partners shall set up a joint commission for evaluating their contributions to the joint venture's authorized fund.

5. By unanimous decision of the Board of Governors, the Partners' contributions to the authorized fund shall be made either by installments or in one lump.

6. The Board of Governors may unanimously decide on increasing or reducing the authorized fund. An increase of the authorized fund shall be proportional to the Partners' shares in that fund; the authorized fund shall be built up either by adding to it fresh contributions of the Partners or by channelling to it resources from the reserve fund.

7. Each Partner in the joint venture shall have the right to transfer his share of the authorized fund fully or partially to a third party, provided he has the consent in writing of the other Partner (or Partners). A transfer of rights shall only be effected with permission of the State Commission for Foreign Economic Relations of the Council of Ministers of the USSR. The Soviet Partner shall enjoy the priority right to buy the share of the foreign Partner, which right he shall exercise within eight weeks after receipt of a bid in writing.

§ 4

Other Funds

1. The joint venture shall form the following funds:

reserve fund which shall amount to 25 per cent of the authorized fund;

R&D fund;

wage incentive fund.

2. The sums allocated to the above funds and the order of allocation shall be unanimously decided on by the Board of Governors, which shall also endorse instructions as to the use of the said funds.

3. The funds are fully at the joint venture's disposal.

4. Upon the expiry of the period during which the joint venture is exempt from the tax, the profit that remains after deductions have been made to the reserve, R&D and wage incentive funds shall be taxed in accordance with Soviet legislation, the sums paid in tax being transferred to the state budget of the USSR.

§ 5

Credits

1. The joint venture shall have the right to obtain credits to be used as capital investments or circulating assets from the State Bank of the USSR and the USSR Bank for Foreign Economic Affairs; with permission of the USSR Bank for Foreign Economic Affairs, it may obtain credits from foreign banks and companies.

§ 6

Settling Accounts with Partners

1. All sums due to the Partners, including dividents, interest, sums to be returned, and salaries, shall be transferred to the following bank accounts:

Soviet Partner: Account No. __________, bank _______

foreign Partner: Account No. __________, bank ______

§ 7

Managerial Bodies

1. The joint venture's managerial bodies shall be:
Board of Governors;
Board of Directors;
Auditing Commission.

§ 8

Board of Governors

1. The Board of Governors shall be the highest body of the joint venture. It shall consist of five members, each familiar with the joint venture's respective line of business. Three members of the Board of governors shall be appointed by the Soviet Partner; two shall be appointed by the foreign Partner.

2. The members of the Board of Governors shall be appointed for a period of four years unless they are recalled by the appointer. Appointment for a second term shall be allowed. Each Partner may appoint standby members of the Board of Governors and shall have the right to replace at any time the members he appointed by the standby ones.

3. The partners shall immediately inform each other by letter, telex or cable about appointing or recalling members of the Board of Governors.

4. The Board of Governors shall determine its structure and procedure of work. It shall elect Chairman and his deputy from among its members. The Chairman or his deputy shall represent one of the Partners.

The Chairman of the Board of Governors shall be a citizen of the USSR.

5. A member of the Board of Governors shall be free to quit any time without explaining the reasons, in which case he shall be replaced by a standby member appointed by the respective Partner.

6. Standby members of the Board of Governors may take part in the Board's sessions without the right of vote.

7. The Board of Governors shall have the right to make and endorse decisions if two thirds of its members are present at the session in person or if they are represented by other Board members. If unable to take part in a session, a Board member shall make it sure that another Board member substitutes for him. The substitution shall have to be confirmed by letter or telex.

8. Each member of the Board of Governors shall have one vote. All decisions shall be endorsed unanimously unless a different decision-making procedure is chosen.

9. The Board of Governors shall hold its sessions as often as necessary, but at least one or two times a year. Each time the Chairman or his deputy shall notify the members about the forthcoming session by letter, telex or cable, indicating the agenda. Such notifications shall have to reach the Board members at least four weeks before the session, not counting the day the notification is sent and the day of the session.

10. The Board of Governors shall hold its sessions at the location of the joint venture, at the headquarters of one of the Partners, or at a different place chosen by the Board. Extraordinary sessions of the Board of Governors shall be convened by the Chairman at his own initiative and at the request of any of the Partners, the General Director of the joint venture and the latter's deputy.

11. With common consent, the Board of Governors may endorse decisions by letter, telex or cable.

12. Protocols shall be drawn up on sessions held and on decisions made by the Board of Governors outside sessions; these shall be signed by the Chairman of the Board and his deputy and distributed among the Board members.

13. The members of the Board of Governors shall not be paid for performing their duties. Their travel and accommodation expenses shall be reimbursed by the joint venture on the basis of bills, invoices and other documents.

14. Unless otherwise stipulated by the Agreement on the Establishment of the Joint Venture and by the joint venture's Charter, the authority of the Board of Governors shall extend to all matters related to the operation of the joint venture.

The Board of Governors shall do its utmost to enable the joint venture reach its objectives. It shall also see to it that the Partners fulfil their obligations under the Agreement on the Establishment of the Joint Venture and this Charter.

The Board of Governors shall immediately inform the second Partner of the other Parner's failure to fulfil his obligations.

15. The Board of Governors shall have the following exclusive jurisdiction:

15.1. make all amendments in the Charter of the joint venture;

15.2. set a date for making contributions to the authorized fund;

15.3. increase or reduce the authorized fund;

15.4. form, build up and use the joint venture's funds;

15.5. decide on the principal objectives of the joint venture;

15.6. endorse annual balances, profit-and-loss accounts, annual reports of the Board of Directors, as well as decisions regarding the use of net profits, the fixing of the sums of dividents, and compensation of losses within six months after the expiry of the fiscal year;

15.7. assume obligations to third parties, give guarantees, conclude agreements on credits in roubles and hard currency, mortgage, and transfer to creditors the right of ownership to property of any kind;

15.8. decide on the composition of the Board of Directors and its order of business; change the composition of the Board of Directors if necessary;

15.9 appoint, recall and remunerate members of the Board of Directors; prepare annual reports evaluating the performance of the Board of Directors;

15.10. decide on the professional level and numerical strength of foreign specialists, as well as the terms of their employment;

15.11. endorse production cost sheets and capital spending, financing, cash turnover, production and profit plans, including long-range plans;

15.12. make decisions in regard to forms and content of accounting;

15.13. set up and close down representative and marketing offices;

15.14. work out general terms of:

— marketing the joint venture's products;

— the price formation and the setting of factory list prices on different markets so as to obtain a desired amount of net profit;

— the production programme with special emphasis being laid on the development of superior products and the purchases of goods and materials;

— the employment of personnel;

— collective agreements;

15.15. appoint the Auditing Commission and endorse auditing reports;

15.16. liquidate the joint venture and appoint a liquidation commission;

15.17. determine the scope of confidential information.

Decisions regarding Items 15.6., 15.12 and 15.15 may be taken by a majority vote.

16. The Board of Governors shall supervise the work of the Board of Directors and inform the Partners about the current business situation. It may at any time demand that the Board of Directors present an account, either oral or in writing, of its activities; it may also at any time initiate an independent checkout of the books and documents of the joint venture through its Chairman, his deputy or specially appointed persons.

17. In some cases the Board of Governors may transfer its functions to the Board of Directors.

§ 9

Board of Directors

1. The members of the Board of Directors shall include the General Director and Directors who are the former's deputies. They shall represent the joint venture under the Agreement on the Establishment of the Joint Venture, the present Charter, the Statute of the Board of Directors, and their own contracts of employment.

The General Director shall be a citizen of the USSR.

2. The General Director shall be nominated by the Soviet Partner and appointed by a unanimous vote by the Board of Governors. His deputy shall be nominated by the foreign Partner and elected in the same manner.

3. The Board of Governors shall be free to appoint other directors.

4. Normally, the term of office of each director shall be five years. Reappointment shall be allowed. Each director may be recalled at any time by the Board of Governors or his nominator.

A director shall be regarded as recalled if his account does not meet with the approval of the Board of Governors. A reappointment of such a director is only possible with the consent of all members of the Board of Governors.

5. The authority of the Board of Directors shall extend to all matters related to the day-to-day operation of the joint venture and be confined to the framework of the business policy adopted by the Board of Governors. Decisions on such matters shall be made jointly. The Board of Directors shall inform the Board of Governors about all problems that are of vital importance to the business policy of the joint venture.

All decisions made by the Board of Directors shall be endorsed by a unanimous vote. If the directors hold controversial views in regard to the operation of the joint venture, the final decision shall be passed by the Board of Governors.

6. The directors shall closely cooperate and assist one another in working towards the joint venture's objectives. Within his terms of reference, each director shall see to it that jointly adopted measures are carried out.

The Board of Governors may adopt the Statute of the Board of Directors.

7. The functions of the General Director and his deputy shall be as follows:

the General Director shall be responsible for the economic aspects of the joint venture's operation, as well as marketing and storage of products; he shall represent the joint venture in its relations with organizations, enterprises and institutions, as well as state bodies of the Partners' countries and third countries in regard to all aspects of the joint venture's activities within his terms of reference defined by the present Charter;

the General Director's deputy shall be in charge of capital investments, production, purchases of materials and components, and the fulfilment of orders.

The Board of Governors shall be free to distribute various functions among the directors.

8. The Board of Directors shall present to the Board of Governors, within three months after the expiry of every fiscal year, the joint venture's annual balance, a profit-and-loss account, and an annual report.

Cash turnover, production, personnel, and profit-and-loss accounts shall be submitted to the Board of Governors every month (details of this procedure shall be specified by the Board of Governors).

The joint venture's balance, a profit-and-loss account with a comparison of target and actual figures and necessary explanations, and a hard currency payments plan shall be submitted to the Board of Governors every quarter.

Monthly reports shall be presented to the Board of Governors within four weeks after the expiry of a given month; quarterly reports shall be presented within six weeks after the expiry of a given quarter.

The accounting regulations shall be worked out by the Board of Governors.

§ 10

Auditing Commission

1. The Board of Governors shall appoint one or more auditors who shall make up an auditing commission charged with the checking of annual balances. The functions of the auditing commission may also be performed by legal persons and societies that are in a position to provide international-scale services to their clients. The auditing commission shall be appointed for a term of one year.

2. The annual balance checking shall include checks of accounts and shall be carried out in keeping with Soviet legislation and the present Charter.

3. The auditing commission shall prepare annual reports in which the annual balance shall be itemized with each item being commented upon.

The auditing commission shall point to and explain negative changes in regard to the property and financial standing of the joint venture, as well as the profit level as compared with that of the previous year if said changes significantly affect the results of the joint venture's operation over a given year.

§ 11

Rights and Obligations of Partners

a) Each Partner in the joint venture shall have the right:

1. To take part in managing the joint venture in line with the Agreement on the Establishment of the Joint Venture and the present Charter.

2. To evaluate the joint venture's performance and take part in the disposal of its products in accordance with this Charter.

3. To receive copies of endorsed balance-sheets and accounts and, on request, additional information and explanations in regard to all matters related to the operation of the joint venture.

4. To check up the joint venture's documentation and property.

5. To appoint and recall members of the Board of Governors in accordance with Para. 8.

6. To receive net profit summed up in the annual balance.

7. To demand a voting by correspondence in accordance with Item 11 of Para. 8.

8. To transfer his share in the authorized fund in accordance with Para. 13.

9. To cancel the Agreement in accordance with Para. 12.

10. To bring cases before the court of arbitration in accordance with Item 2 of Para. 14.

11. To submit proposals related to the operation of the joint venture to the Board of Governors and other managerial bodies of the joint venture for consideration.

b) Each Partner in the joint venture shall be obliged:

1. To take part in managing the joint venture in line with the Agreement on the Establishment of the Joint Venture and the present Charter.

2. To assist the joint venture in its activities with a view to achieving optimum results.

3. To make initial and additional contributions.

4. To obey decisions of the Board of Governors.

5. To refrain from all activities that may interfere with the joint venture's business activities.

§ 12

Term of Operation and Termination of the Joint Venture

1. The term of operation of the joint venture shall be ________________, but the joint venture may terminate its activities at any time, provided a decision to that effect is unanimously adopted by the Board of Governors; the termination shall be effected in keeping with Soviet legislation and the present Charter.

2. Each Partner shall have the right to withdraw from the joint venture by the end of a fiscal year, but not later than December 31, 19, provided he gives a year's notice. Said Partner shall inform the other Partner of his intention by a registered letter; the joint venture shall also be informed of his desire to cancel the Agreement.

3. The Partner withdrawing from the joint venture shall have the right to receive from the joint venture a sum of money corresponding to the value of the part of the joint venture's property as of the date of the withdrawal, which is proportional to this Partner's contribution to the authorized fund of the joint venture. This sum of money shall be determined with due regard for the monetary value, as of the date of the withdrawal, of the rights of ownership contributed by the withdrawing Partner to the joint venture's authorized fund. In order to settle accounts with the withdrawing Partner, a balance-sheet shall be prepared, in which the joint venture's property shall be evaluated. The evaluation principles shall be like those used in evaluating the contribution of each Partner to the joint venture's authorized fund, but wear-and-tear, as well as obsolescence of property shall be taken into account. The sum due to the withdrawing Partner and the terms of payment shall be decided on by the Board of Governors.

4. Withdrawal from the joint venture shall not free the withdrawer from his obligations to the joint venture undertaken during his partnership.

5. Regardless of Item 2, each Partner shall have the right to cancel the Agreement on the Establishment of the Joint Venture if he has serious reasons for doing so and if the conditions he finds himself in are like those mentioned in Item 2 of Para. 15 of said Agreement.

6. The cancellation of the Agreement on the Establishment of the Joint Venture shall invalidate the present Charter.

§ 13

Liquidation of the Joint Venture and Right of Pre-emption

1. The joint venture may be liquidated in the following cases:

by mutual consent of the Partners;

upon cancellation of the Agreement on the Establishment of the Joint Venture;

by a decision of the Council of Ministers of the USSR.

2. In cases mentioned in Item 1 of Para. 13, the foreign Partner in the joint venture may offer to sell his share in the joint venture to the Soviet Partner instead of liquidating it. The Soviet Partner shall communicate his response in writing within eight weeks from the date of receipt of the selling proposal.

3. For liquidating the joint venture, the Board of Governors shall appoint a liquidation commission consisting of an equal number of representatives of both Partners. The liquidation commission shall draw up a liquidation balance-sheet and submit it to the Board of Governors for endorsement.

4. The property of the joint venture, which remains after discharging its obligations, shall be distributed among the Partners in proportion to their share in the joint venture's capital in accordance with the liquidation balance-sheet.

5. The joint venture shall cease to be a legal person and shall be regarded as terminated as of the date upon which it is crossed off the register in the country of its location.

§ 14

Arbitration

1. The Partners shall do all they can to settle all disputes in connection with the present Charter in an amicable manner through negotiations.

2. If negotiations fail to settle a dispute, each Partner shall be entitled to bring all controversial matters related to the Agreement on the Establishment of the Joint Venture before the court of arbitration.

The court of arbitration shall pass the final decision. It shall consist of one or more arbitrators appointed in compliance with the Regulations for Courts of Arbitration and Amicable Settlement Courts of the International Chamber of Commerce. The court of arbitration sits in Stockholm; its proceedings are based on Swedish substantial and procedural law.

§ 15

Miscellaneous

1. Each Partner shall have the right to transfer his rights and obligations under the present Charter to third parties, provided the other Partners give their consent in writing.

A Partner's successors shall automatically assume his rights and obligations under this Charter.

2. The working language of the joint venture shall be Russian. All the documentation related to the operation of the joint venture shall be in Russian.

3. Invalidation of one provision of the present Charter shall not affect the other provisions. An invalid clause shall be replaced by a legally acceptable clause close to the former in its meaning. Changes in, and additions to, the Charter shall be introduced by a unanimous vote by the joint venture's Board of Governors, provided these do not depart from the Agreement on the Establishment of the Joint Venture and Soviet legislation.

4. The present Charter shall come into force as soon as the joint venture is registered with the Ministry of Finance of the USSR.

On behalf of Soviet Partner On behalf of foreign Partner

____________________ ____________________

Moscow, ____________19_____

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